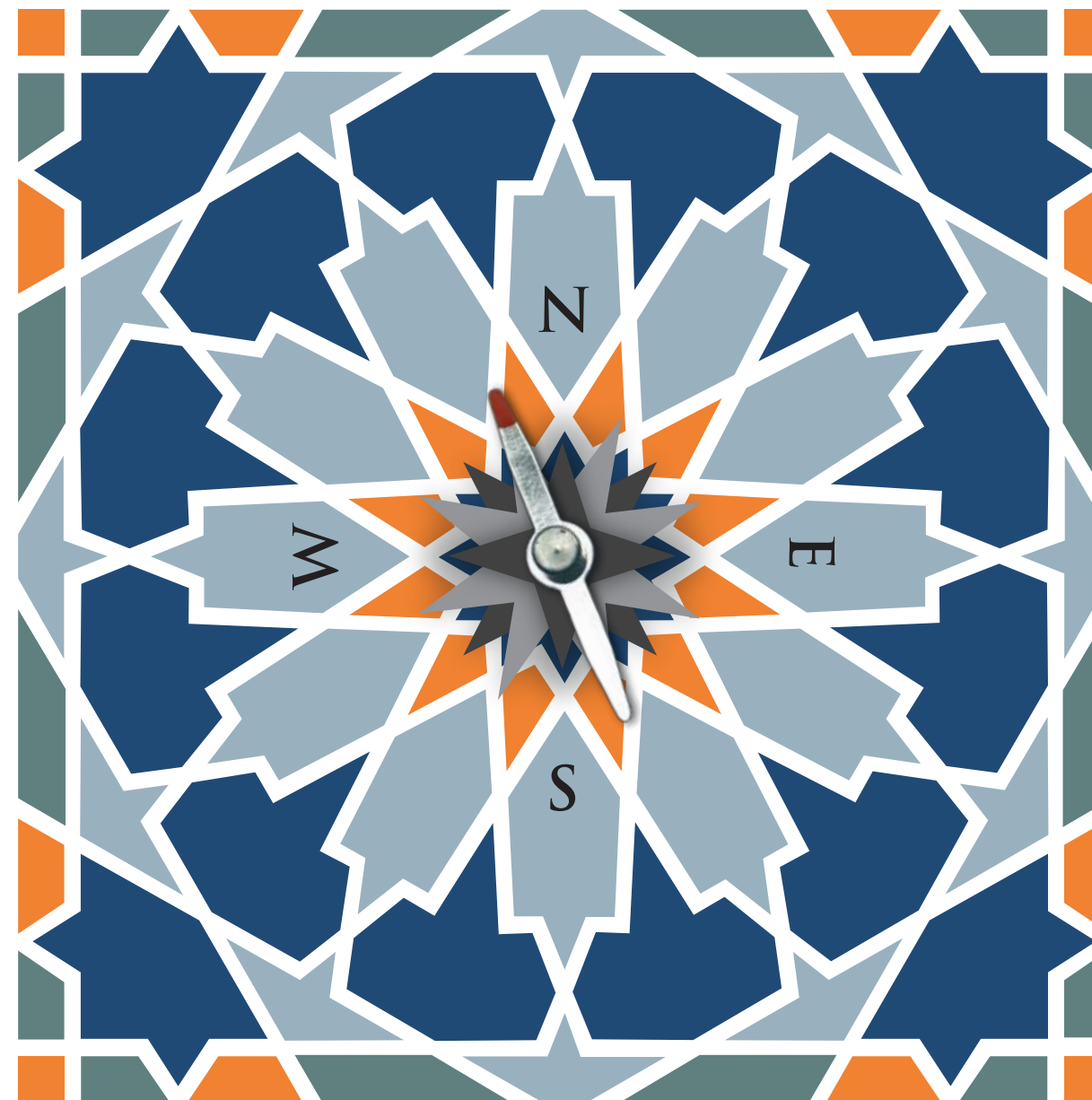


On The Right Path



BANK MUAMALAT • 2008 ANNUAL REPORT

www.muamalat.com.my

BANK MUAMALAT
Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur

a member of
DRB-HICOM

Annual **2008** Report





New Directions For New Frontiers

As new challenges arise so does new opportunities. Steered by a vehement team and a strong helm we are confident that the journey we take now will yield better prospects and opportunities. As we move we realise that there is only one direction for us. Forward.



MAJOR EVENTS 2008

1. **18 MAY** - Hari Amal (MAYS) Asrama Darussalam Masjid Saidina Umar Al-Khattab, Kampung Sedang Permai, Simpang Pulai, Perak.
2. **10 JUNE** - Muamalat GIA & ONEReach Savings Account-i Campaign 2008
3. **28 JUNE** - Hari Amal (MAYS) Asrama Bakti Macang, Kelantan.
4. **9 AUGUST** - Futsal Bersama Media 2008, AFC Setapak, Kuala Lumpur
5. **15 SEPTEMBER** - Majlis Berbuka Puasa BersamaMu TV3, Masjid Negara, Kuala Lumpur.
6. **29 OCTOBER** - Corporate Hi-Tea & Hari Raya
7. **6 NOVEMBER** - Solat Hajat Jemaah Haji
8. **7 NOVEMBER** - Anugerah Galakan Institusi Kewangan (Citra Wangsa) 2007



9.



11.



12.



13.



14.



15.



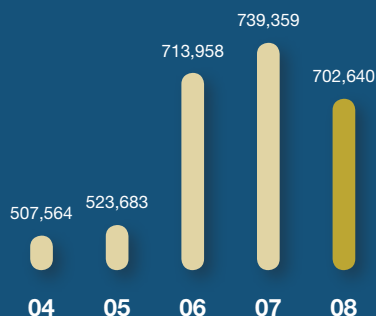
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MAJOR EVENTS 2008

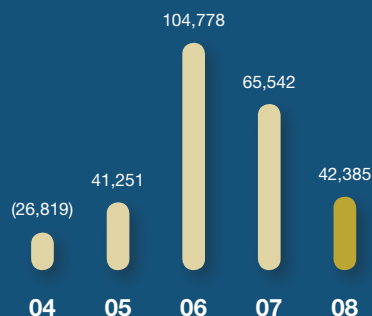
- 9. **10 - 20 NOVEMBER** - BersamaMu TV3 (Johor, Pulau Pinang, Perlis & Kelantan)
- 10. **14 NOVEMBER** - Signing Ceremony BMMB, Bank Rakyat, RHB & Columbia Asia
- 11. **15 NOVEMBER** - Internal Briefing Session
- 12. **15 NOVEMBER** - Tagline Contest
- 13. **17 - 20 NOVEMBER** - KLIFF
- 14. **27 NOVEMBER** - MOU with Koperasi DBKL
- 15. **3 DECEMBER** - National Award for Management Accounting (NAfMA) 2008
- 16. **18 DECEMBER** - Maal Hijrah 1430

5 Years Financial Highlights (2004 - 2008)

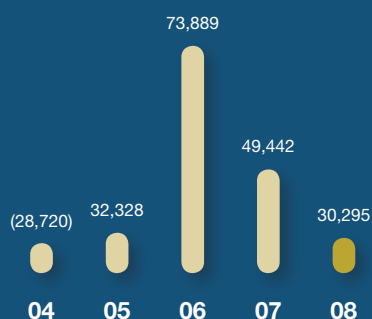
TOTAL SHAREHOLDERS' FUNDS
RM'000



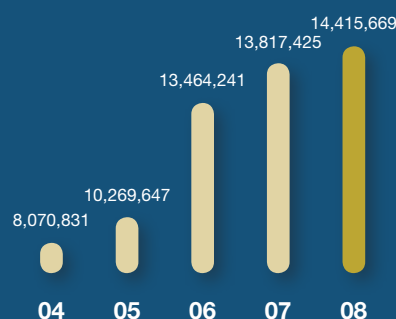
PROFIT (LOSS) BEFORE TAX
RM'000




PROFIT (LOSS) AFTER TAX
RM'000



TOTAL ASSETS
RM'000



	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000
Total Shareholders' Funds	507,564	523,683	713,958	739,359	702,640
Profit / (Loss) Before Taxation & Zakat	(26,819)	41,251	104,778	65,542	42,385
Profit / (Loss) After Taxation & Zakat	(28,720)	32,328	73,889	49,442	30,295
Total Assets	8,070,831	10,269,647	13,464,241	13,817,425	14,415,669
Total Deposits	7,455,010	9,373,971	12,195,372	12,180,247	12,464,698
Total Financing	2,887,415	4,154,021	5,373,343	5,870,585	6,433,130
No. of Branches	41	42	43	48	48
No. of Service Centres	7	6	6	3	5
No. of Offshore Branches / Labuan	1	1	1	1	1
No. of Staff	1,241	1,145	1,380	1,454	1,419



MISSION

To deliver best value to the stakeholders.

VISION

To become the preferred Islamic financial services provider.

SHARED VALUES

Care, Integrity, Innovation, Service Orientation and Respect.



■ *Picture courtesy of Islamic Arts Museum Kuala Lumpur*



بنك معاملات

Bank Muamalat

annual report 2008

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Message from the Holy Quran



Bismillahir Rahmanir Raheem

O ye who believe, eat not up your property among yourselves in vanities: but let there be amongst you traffic and trade by mutual good will.

(Surah An-Nisaa: 29)

Those who devour Riba (usury) will not stand except as stands one whom the evil one by his touch hath driven to madness. That is because they say: Trade is like Riba (usury), but Allah hath permitted trade and forbidden Riba (usury). He who after receiving direction from his Rob (Lord), desist, shall be pardoned for the past; his case is for Allah (to Judge); but those who repeat (the offence) are companions of the fire: they will abide therein (for ever).

(Surah Al-Baqarah: 275)

Allah will deprive usury of all blessing, but will give increase for Sadaqat. Allah loveth not creatures ungrateful and wicked.

(Surah Al-Baqarah: 276)

O ye who believe, fear Allah, and give up what remains of your demand for usury, if ye are indeed believers.

(Surah Al-Baqarah: 278)

If ye do it not, take notice of war from Allah and His Messenger, but if ye repent, then ye shall have your capital sums: deal not unjustly, and ye shall not be dealt with unjustly.

(Surah Al-Baqarah: 279)

TAWHID

“And your Allah is One Allah: There is no god but He, Most Gracious, Most Merciful.”

Surah Al Baqarah V.163

Corporate Identity



Bank Muamalat's logo and identity is formed by a dynamic line in a continuous motion. The principle objectives of efficiency and dynamism are reflected by a single line. The single line linking the 5 domes signifies the efficient, clear and focused vision, reflecting the strong relationship between the Bank, customers and its external environment.

The dome is a basic design element of Islamic Architecture. It is used to signify the place for prayers and shelter. This represents the products and services that the Bank can offer to its customers. The 5 domes are representatives of the 5 tenets of Islam and the 5 times Muslims are called to pray. The 5 points are also used in relation to the 5 principles of the Rukun Negara, giving a truly Malaysian object to its existence. An hour glass embedded in the centre within the logo design stands for the time which is essence of a Bank. Investments grow over time. The whole design translates the very meaning of Muamalat itself, which is "relationship between mankind".

Two colours are used within the logo. Sultan blue, a royal colour is used to provide a feeling of strength and confidence. Orange is a warm and exciting colour. It gives light and signifies growth. The orange is used to signify the warmth of the Bank, which is in continuous growth, never static but always dynamic.

Steel Scissors, 19th Century AD ■



Chairman's Statement

INTRODUCTION

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements on Bank Muamalat Malaysia Berhad for the year 31 December 2008.

OPERATING ENVIRONMENT

The macro conditions varied over the past year, from relatively steady to severe disruption in the broad markets especially in the latter half of the year. Deterioration in the financial markets were triggered by the volatile external environment, in essence, the trickledown effects from initially the sub-prime debacle in the United States that have subsequently turned into a full blown financial crisis. The year 2008 was an extraordinary period in economic and financial history where global stock markets, as measured by the Morgan Stanley Composite Index, fell by almost 50%, monetary policies across the globe slips into uncharted territory where most strived for zero interest rate policy in its attempt to stabilize the markets, and significantly, several major financial institutions in the developed markets either failed or were financially rescued by respective regulatory agencies.

The national economy, meanwhile, remained broadly resilient during most of 2008 but its sizeable exposure to external trade, where its total trade scale of about RM1.2 trillion is almost double the value of national Gross Domestic Product (GDP), meant it was not insulated from the earlier mentioned global phenomenon. Malaysia's real GDP growth fell to a seven year low in the final three months of the year, increasing 0.1% from a year ago from a robust 7.1% growth in 1Q 2008. The sharp deterioration, which reflected weaker performance across all primary sectors, resulted in 2008 GDP growth to average a modest 4.6%, which was its slowest increase since 2001, the period the economy last slipped into negative territory amidst the collapse in the demand for electronic components then.

The past year had also witnessed sustained development in the domestic banking system, in particular in Islamic banking where the share of Islamic banking assets in the total banking sector reached a new high of 17.4% as at end 2008. At the same time, Malaysia remains the world's largest sukuk market.

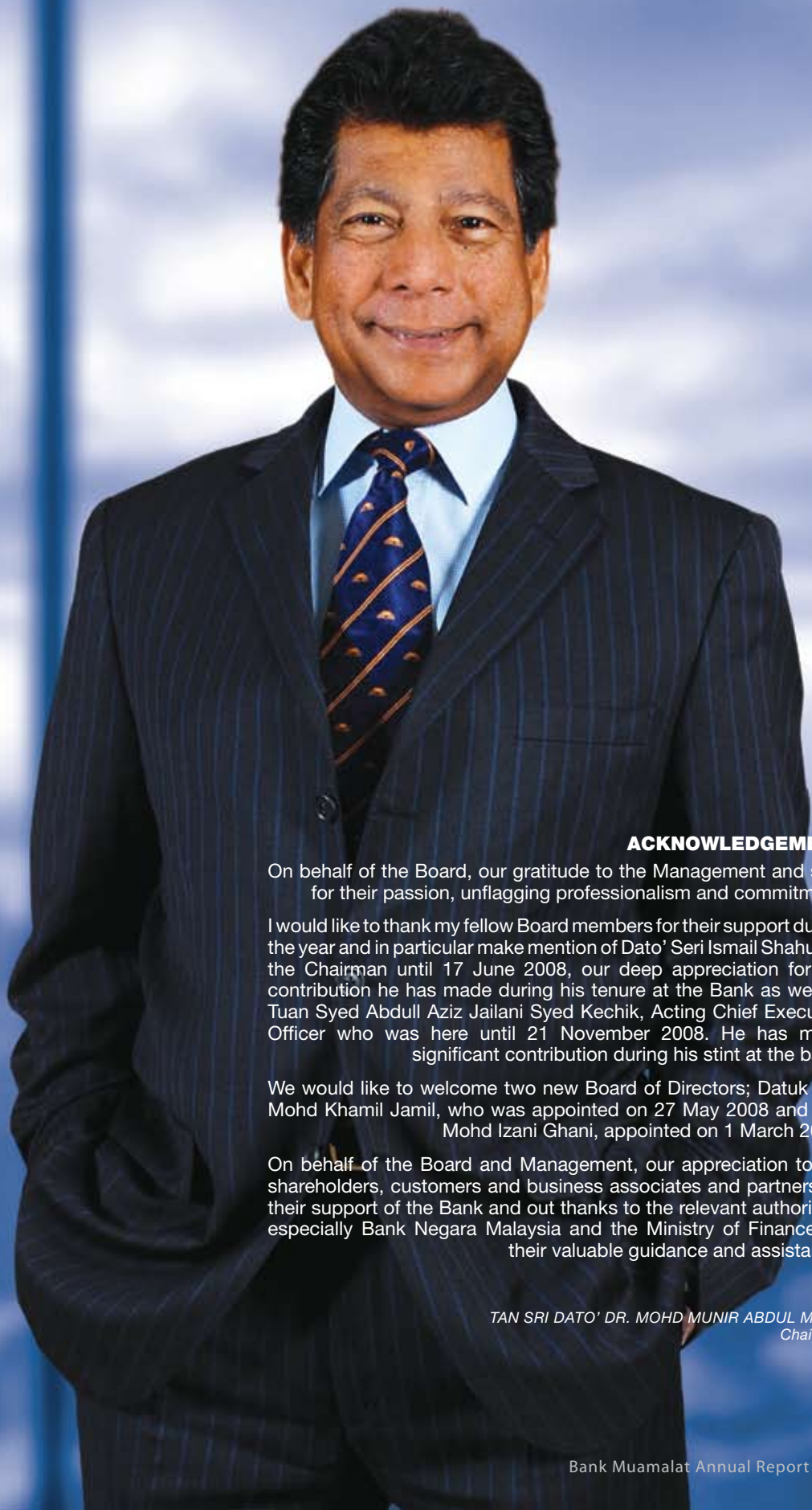
The past year had also witnessed sustained development in the domestic banking system, in particular in Islamic banking where the share of Islamic banking assets in the total banking sector reached a new high of 17.4% as at end 2008.

PERFORMANCE

For the financial year ended 31 December 2008, the Bank recorded a pre-tax profit of RM42.4 million, lower compared to RM65.5 million recorded in the previous year. Similarly, the Group pre-tax profit stood at RM44.1 million, lower compared to RM64.2 million in previous year.

The modest performance for the current financial year attributed to higher allowance for losses on financing which had increased to RM166.4 million from RM117.0 million in the preceding year. Allowance for losses on financing by business segment had also revealed increased exposure from wholesale banking which had accounted for almost 65% of the total allowance made.

Total assets increased to RM14.4 billion from RM13.8 billion in previous year, attributed to higher financing asset of RM6.0 billion as compared to RM5.6 billion in previous year. Risk Weighted Capital Ratio remained steady as at end 2008, to close at 12.8% compared to 11.1% in the preceding corresponding period.



ACKNOWLEDGEMENT

On behalf of the Board, our gratitude to the Management and staff for their passion, unflagging professionalism and commitment.

I would like to thank my fellow Board members for their support during the year and in particular make mention of Dato' Seri Ismail Shahudin, the Chairman until 17 June 2008, our deep appreciation for the contribution he has made during his tenure at the Bank as well as Tuan Syed Abdull Aziz Jailani Syed Kechik, Acting Chief Executive Officer who was here until 21 November 2008. He has made significant contribution during his stint at the bank.

We would like to welcome two new Board of Directors; Datuk Haji Mohd Khamil Jamil, who was appointed on 27 May 2008 and Haji Mohd Izani Ghani, appointed on 1 March 2009.

On behalf of the Board and Management, our appreciation to the shareholders, customers and business associates and partners for their support of the Bank and out thanks to the relevant authorities, especially Bank Negara Malaysia and the Ministry of Finance for their valuable guidance and assistance.

TAN SRI DATO' DR. MOHD MUNIR ABDUL MAJID
Chairman



Board of Directors



Directors Profile

TAN SRI DATO' DR. MOHD MUNIR ABDUL MAJID

Tan Sri Dato' Dr. Mohd Munir Abdul Majid is Chairman of Malaysia Airlines and Bank Muamalat Malaysia Berhad. He also sits on the Board of Saujana Resorts (M) Berhad.

He obtained a B.Sc (Econ) from the London School of Economics and Political Science (LSE) in 1971. Here he also obtained his Ph.D in International Relations in 1978. He taught at the Department of international Relations in LSE from 1972-1975. He was research analyst for Daiwa Europe NV in London from 1975-1978.

Dr. Mohd Munir joined the New Straits Times Press (NST) end of 1978 as leader writer and progressed to become Group Editor. During his time at the NST, he published numerous articles on national and international politics, and economics. He left NST in 1986 to become CEO of a small merchant bank, Pertanian Baring Sanwa (PBS), whose name he changed to Commerce International Merchant Bankers (CIMB) which was then transformed into one of Malaysia's leading merchant banks. He was invited by the Government of Malaysia to establish and become the first and founding Executive Chairman of the Securities Commission in 1993, where he served for two terms until 1999. In 1997, he received the Cranfield Management Excellence award. After leaving the Securities Commission, he served as Senior Independent Non-Executive Director of Telekom Malaysia Berhad for 4 years until June 2004, and was Chairman of its mobile subsidiary Celcom (M) Berhad from 2002-2004.

In June 2004, Dr. Mohd Munir joined the Malaysia Airline System Berhad Board of Directors and later in August 2004 was appointed as Non-Executive Chairman of Malaysian Airline System Berhad. He has served on various governmental boards and committees, such as Malaysian Industrial Development Authority (MIDA), Kuala Lumpur Stock Exchange (KLSE), Foreign Investment Committee (FIC), as well as various private sector companies and organizations such as Kuala Lumpur Options and Financial Futures Exchange (KLOFFE), Council of the Association of Merchant Banks Malaysia (AMBM), Malaysian International Chamber of Commerce and Industry (MICCI). He is the founder President of the Kuala Lumpur Business Club and was appointed by the Malaysian Institute of Management to be a member of its Court of Fellows in May 2004.

In December 2005, he was made an Honorary Fellow of the London School of Economics and Political Science. Dr. Mohd Munir is President of the LSE Alumni Society of Malaysia. In 2008 he was made a Visiting Senior Fellow at LSE IDEAS (Centre for the Study of International Affairs, Diplomacy and Strategy)

Dr. Mohd Munir presently sits on the Advisory Board for Securities Market Regulation of the Toronto Centre for Leadership in Financial Market Regulation. He is a member of the International Institute for Strategic Studies (IISS) in London. He conceived a TV programme, Fast Forward, on Radio Television Malaysia (RTM1), which he has hosted.

Born in Penang in 1948, Dr. Mohd Munir received his early education at St Mark's Primary School in Butterworth and the Bukit Mertajam High School. He received his upper secondary education at the Royal Military College in Sungei Besi near Kuala Lumpur where he was awarded the Commandant's Prize for being the best all-round student in 1967. He left for London the next year.

Married with three children, his hobbies are: reading (novels, history and biographies), theatre, music (classical and opera), swimming, golf and, now mostly passively but still with some fanaticism, soccer, tennis and cricket.



DATUK HAJI MOHD KHAMIL JAMIL

Datuk Haji Mohd Khamil Jamil was appointed Non-Executive Non-Independent Director of Bank Muamalat Malaysia Berhad since 27 May 2008. He holds a Bachelor of Laws (Honours) Degree from University of London and is a Barrister-at-Law at Gray's Inn, England and was called to the English Bar in 1983.

Datuk Haji Mohd Khamil had his first executive career with Bank Bumiputra Malaysia Berhad from August 1980 until December 1989. He was called to the Malaysian Bar in September 1990 and was a practicing partner of several legal firms before venturing into business in 2001.

Datuk Haji Mohd Khamil also sits on the boards of DRB-HICOM Berhad, Edaran Otomobil Nasional Berhad, HICOM Holdings Berhad, HICOM Berhad, Horsedale Development Berhad and several private limited companies.



DATO' HAJI MOHD REDZA SHAH ABDUL WAHID

Dato' Haji Mohd Redza Shah Abdul Wahid, aged 45, was appointed as Chief Executive Officer of Bank Muamalat on 1 November 2008. Prior to joining Bank Muamalat Malaysia Berhad, he was the Executive Director and Group Chief Operating Officer of DRB-HICOM since 1 March 2006. He holds a Bachelor of Science in Economics in Industry and Trade (Honours) from London School of Economics, University of London. He, also holds a Master of Science Economics in International Banking and Finance from University of Wales, Cardiff. He is an Associate Chartered Accountant (ACA) and member of the Institute of Chartered Accountants in England and Wales (ICAEW).

Prior to joining DRB-HICOM, he was the Group Chief Executive Officer of Tradewinds Corporation Berhad from 2002 to November 2005 and Acting Chief Executive Officer of Tradewinds (M) Berhad from 2004 to 2005. He has also served several other companies such as Silterra Malaysia Sdn. Bhd., Khazanah Nasional Berhad, Arab Malaysia Corporation Berhad and Touche Ross & Co., London.



HAJI ISMAIL IBRAHIM

Haji Ismail Ibrahim was appointed Non-Executive Non-Independent Director of Bank Muamalat since 23 March 2001. He holds a Degree in Accounting from Universiti Kebangsaan Malaysia in 1985. He is currently the Vice President of Khazanah Nasional Berhad. He joined Khazanah Nasional Berhad as Accountant/Finance Manager in 1995. He started his career in 1985 with the Accountant General's Department during which he served as Treasury Accountant in the Investment and Loan Division until 1991 and from 1991 to 1995, he was appointed as Assistant Director in the Funds Management Division. He is a member of the Malaysian Institute of Accountants.



Directors Profile

HAJI MOHD IZANI GHANI

Haji Mohd Izani Ghani was appointed Non-Executive Non-Independent Director of Bank Muamalat since 1 March 2009. He graduated from the London School of Economics and Political Science in 1991 with BSc (Economics) specializing in Accounting and Finance. After graduating from LSE, he pursued his professional accounting qualification from the Association of Chartered Certified Accountants and admitted to fellowship in 2000. He is also a member of Malaysian Institute of Accountants.

He is currently the Senior Vice President of Khazanah Nasional Berhad, handling funding and treasury operations. On funding front, he was deeply involved in the issuance of the world's first exchangeable sukuk (into then Telekom shares) by Khazanah for USD750 million in 2006. Riding on the success, this was followed by another exchangeable sukuk into PLUS shares for USD850 million in 2007. Most recently in March 2008, his team executed the exchangeable sukuk into Parkson shares, which is listed in Hong Kong, for USD550 million. In relation to RM funding, he was instrumental in the setting up of RM10 billion Islamic Commercial Papers and Medium Term Notes Programme in early 2006. The papers and notes, under the issuer name of Rantau Abang, have been one of the most actively traded in the local markets. In 2009, he has led the team to launch another Islamic Medium Term Notes Programme with multi currency option with the equivalent RM10 billion size.

His first exposure to the corporate world was in 1993 when he joined the then Renong Group. In 1999, he joined the concession holder of Putrajaya township development, Putrajaya Holdings Sdn Bhd to assist in the financing for the construction of the Government office buildings and staff quarters. He left Putrajaya Holdings in 2005 to join the Finance division of Khazanah Nasional Berhad.

He is currently a director in the special purpose vehicles companies, which are wholly owned by Khazanah Nasional Berhad i.e. Rantau Abang Capital Berhad, Feringghi Capital Ltd, Klebang Capital Ltd, Pantai Lido Ltd and Cenang Capital Ltd.



DATIN AZIZAH MOHD JAAFAR

Datin Azizah Mohd Jaafar was appointed Non-Executive Independent Director of Bank Muamalat since 17 September 2001. She is qualified as a chartered accountant in the United Kingdom. She is a Fellow of the Institute of Chartered Accountants in England & Wales (ICAEW) and also a member of the Malaysian Institute of Certified Public Accountants (MICPA).

Her career in the Government sector included various positions held in among others, the Public Trustee Department, the Ministry of Finance, the Ministry of Health and the Accountant General Department where she last served as the Deputy Accountant General. As nominee of the Government she sat on the boards of several Government enterprises. She had also served as Deputy Commissioner of Commodities Trading as a seconded officer with the Commodities Trading Commission. She left Government service and joined the Securities Commission Malaysia where she served as general manager in the Research and Development Department and the Financial Reporting Surveillance and Compliance Department.



HAJI ABDUL JABBAR ABDUL MAJID

Haji Abdul Jabbar Abdul Majid was appointed Non-Executive Independent Director of Bank Muamalat since 13 October 2004. Currently he sits on the Boards of Tradewinds Corporation Berhad, Perusahaan Otomobil Nasional Berhad (Proton) and Opcom Holdings Berhad as a Non-Executive Independent Director. He is a Council Member of the Malaysian Institute of Certified Public Accountants.

Haji Abdul Jabbar is a fellow of the Institute of Chartered Accountants, Australia and a member of the Malaysian Institute of Certified Public Accountants. His career includes a two-year stint with Bank Pertanian Malaysia in the early 70's followed by 23 years at KPMG Malaysia where he was a Senior Partner from 1995-2000.



TENGGU DATO' HASMUDDIN TENGGU OTHMAN

Tengku Dato' Hasmuddin Tengku Othman was appointed Non-Executive Independent Director of Bank Muamalat since 18 April, 2006.

He holds a Bachelor of Laws (Hons) from University of Malaya and was admitted to the Bar in 1987. He is a practicing lawyer and is currently the principal partner of Messrs Hisham, Sobri & Kadir. His areas of expertise include the various aspects of Islamic banking and finance, corporate banking and project financing, corporate matters, corporate Muamalat Islamic banking and litigation as well as matters relating to Syariah. He is a director of a number of companies including Aliran Ihsan Resources Berhad, Institut Jantung Negara Sdn. Bhd. and HSK Corporate Advisory & Consultancy.

He is also a member of Task Force on Islamic Finance for Labuan IOFC and Law Review Committee for Islamic Banking and financial transactions under the auspices of the Central Bank of Malaysia and acted as an adviser for the Association of Islamic Banking in Malaysia (AIBIM) as well as for "Skim Projek Usahawan Dalam Peruncitan" (Prosper).



We strive hard to improve the quality
of life - you & us. No other goal
is more inspiring.

IHTIRAM



“O mankind! We created you from a single (pair) of a male and a female, and made you into nations and tribes, that ye may know each other (not that ye may despise (each other).

Verily the most honoured of you in the sight of Allah is (he who is) the most righteous of you. And Allah has full knowledge and is well acquainted (with all things).”

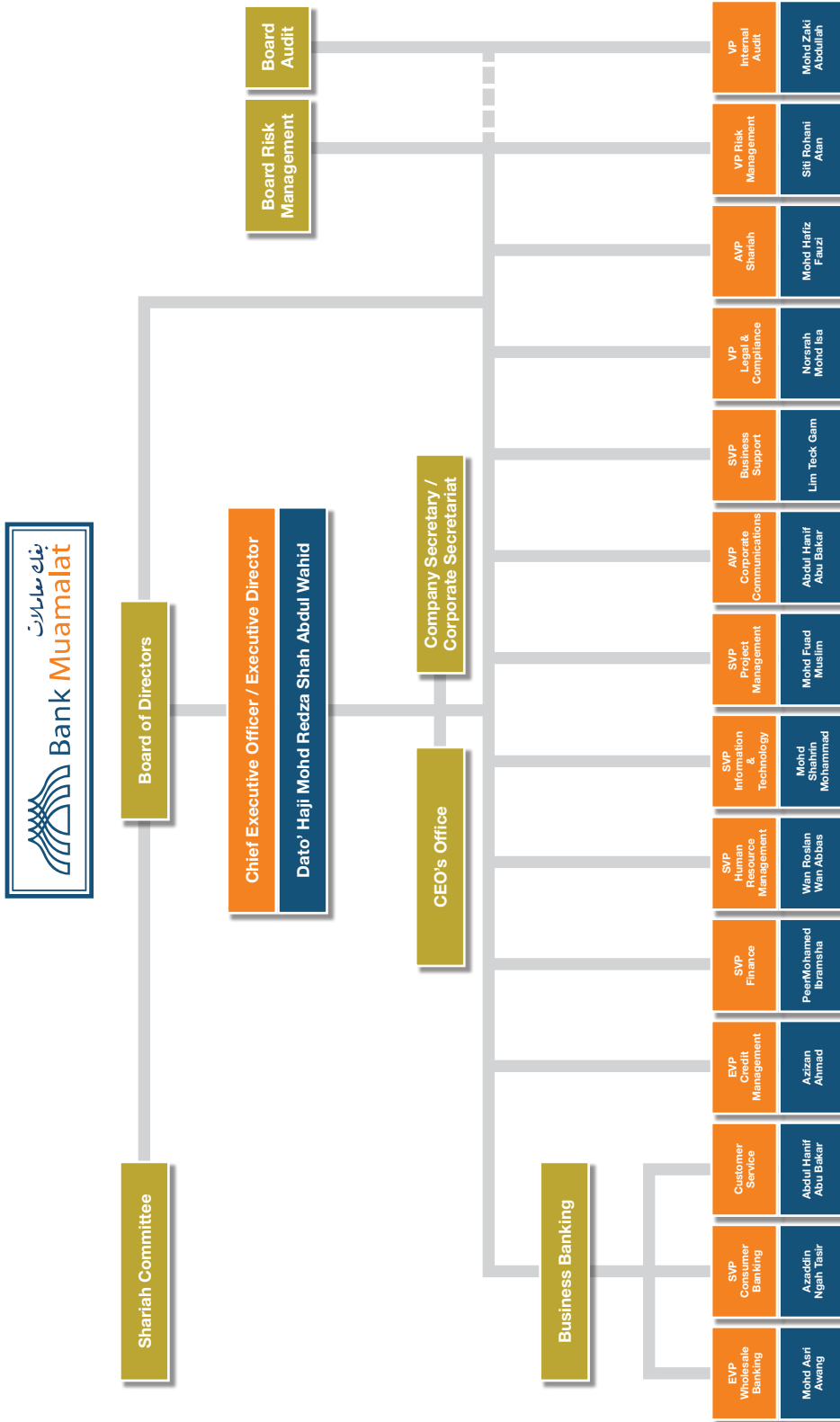
Surah Al Hujurat V.13

■ Vase
20th Century AD / 14th Century AH • Italy



■ Picture courtesy of Islamic Arts Museum Kuala Lumpur

Organisation Structure



Management Team

DATO' HAJI MOHD REDZA SHAH ABDUL WAHID

Chief Executive Officer / Executive Director

MOHD ASRI AWANG

Wholesale Banking

AZADDIN NGAH TASIR

Consumer Banking

AZIZAN AHMAD

Credit Management

PEERMOHAMED IBRAMSHA

Finance

WAN ROSLAN WAN ABBAS

Human Resource Management

MOHD SHAHRIN MOHAMMAD

Information & Technology

MOHD FUAD MUSLIM

Project Management

ABDUL HANIF ABU BAKAR

Corporate Communications / Customer Service

LIM TECK GAM

Business Support

NORSRAH MOHD ISA

Legal & Compliance

MOHD HAFIZ FAUZI

Shariah

SITI ROHANI ATAN

Risk Management

MOHD ZAKI ABDULLAH

Internal Audit

NORA SHIKHEN RAMLI

Corporate Secretariat

Shariah Committee



1. *Ustaz Haji Azizi bin Che Seman (Chairman)*
2. *Dato' Haji Md Saleh bin Haji Md @ Ahmad*
3. *Prof. Madya Dr. Mohamad Sabri Haron*
4. *Ustaz Engku Ahmad Fadzil bin Engku Ali*

USTAZ HAJI AZIZI BIN CHE SEMAN (CHAIRMAN)

Ustaz Azizi bin Che Seman is currently a lecturer at the Islamic Studies Academy, University of Malaya, a position he has held since 2002. He has been with Bank Muamalat Malaysia Berhad (BMMB) since 1 April 2005. Until now, he is entrusted to be the Chairman for the Bank's Shariah Committee. In terms of qualification, he holds a Master Degree in Economics from International Islamic University of Malaysia in 2001 and a Bachelor of Islamic Studies from University Malaya in 1996. His specialization areas are in Islamic Capital Market, Islamic Economics, Fiqh Muamalat and Research Methodology.

DATO' HAJI MD SALEH BIN HAJI MD @ AHMAD

Dato' Haji Md Saleh bin Haji Md @ Ahmad has been engaged as a Shariah Committee of BMMB since 2002. He obtained a Bachelor Degree in Shariah from Yayasan Pengajian Tinggi Islam Kelantan in 1974 and the same degree from University of al-Azhar, Cairo. Currently, he is designated as a Senior Academic Fellow in Ahmad Ibrahim Kuliyyah of Laws, International Islamic University of Malaysia. Prior to that, he has served as a lecturer at University of Malaya from 1981-2004. Other than BMMB, he also involves as committee member of Perak Islamic Affairs Council, Islamic Religious Council of Penang, Shariah Research Panel of Jabatan Kemajuan Islam Malaysia and several other councils.

PROF. MADYA DR. MOHAMAD SABRI HARON

Prof. Madya Dr. Mohamad Sabri Haron is a lecturer at the Centre of General Studies, National University of Malaysia. He is also an Associate Senior Fellow at Institute of West Asian Studies. He obtained a Diploma in Islamic Studies from Kolej Sultan Zainal Abidin in 1985 and Bachelor of Islamic Studies (al-Quran and al-Sunnah) from National University of Malaysia in 1988. He has completed his Master of Comparative Law at International Islamic University of Malaysia in 1993. He succeeded in obtaining his Ph.d. in Islamic Law (Fiqh and Usul Fiqh) in 1998 from University of Jordan. He has been with Bank Muamalat since December 2003. His specialization areas are in Islamic Economics and Islamic Civilization.

USTAZ ENSKU AHMAD FADZIL BIN ENSKU ALI

Ustaz Engku Ahmad Fadzil bin Engku Ali graduated in 1993 with a Bachelor Degree in Laws from International Islamic University of Malaysia. In the subsequent year, he graduated from the same university with a Bachelor Degree in Shariah Laws. He was called to the bar, admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1995. He then, pursued his studies at Jordan University and in the year 2000, he successfully obtained a Masters Degree in Islamic Judiciary. Since then, he served as a lecturer at International Islamic University of Malaysia. Some of the subjects that he teaches are; Islamic Law of Successions, Islamic Jurisprudence and Islamic Criminal Laws. He has been a member of the Bank's Shariah Committee since 2005.

The Shariah Committee has its own terms and references. The said terms and references are as follows:

- To provide the Bank with guidelines and advice on religious matters.
- To ensure that the Bank's overall activities are in line with Shariah.
- To make decisions on matters arising from existing and future activities of the Bank which have religious repercussion.
- To report to the shareholders and the depositors that all the Bank's activities are in accordance with Shariah

Shariah Committee Profile (cont'd)

It is undeniably true to contend that the Shariah Committee is the backbone to any Islamic banking institution. The Shariah Committee, established in accordance with the requirements of Islamic Banking Act, Guidelines on The Governance of Shariah Committee for the Islamic Financial Institutions (BNM / GPS 1) and the Bank's Article of Association, ensures that the Bank conducts its affairs in accordance with the Shariah principles. It is extremely crucial to ensure that Shariah compliance is practiced in all aspects of the banking operations and activities. Some of the fundamental roles and responsibilities of the Shariah Committee are as follows:

- To provide Shariah advisory and consultancy services in all matters relating to Bank's products, transactions and activities as well as other businesses involving the Bank.
- To scrutinize and endorse the annual financial report of the Bank.
- To provide training to the staff as well as notes or relevant materials for their reference.
- To represent the Bank or to attend any meetings with the Shariah Advisory Council from the Central Bank of Malaysia or other relevant bodies concerning any Shariah issues relating to the Bank.

Most of the issues submitted to the Shariah Committee for deliberation are resolved via meetings. For the 2008, 24 series of meetings were held. The details of their attendance are as follows:

Shariah Committee Members	Attendance
Ustaz Haji Azizi bin Che Seman (Chairman)	21/24
Dato' Haji Md Saleh bin Haji Md @ Ahmad	17/24
Prof. Madya Dr. Mohamad Sabri Haron	22/24
Ustaz Engku Ahmad Fadzil bin Engku Ali	23/24

We are successfully navigating a changing, challenging global marketplace by following our strategy with focus and discipline, and the results are showing.

Alhamdulillah.

The Board of Directors of Bank Muamalat Malaysia Berhad (BMMB) adopts the corporate governance framework as stipulated in the Malaysian Code of Corporate Governance as well as the Guidelines on Corporate Governance for licensed Islamic Banks issued by Bank Negara Malaysia (Revised BNM/GP1-i). Although the bank is not a listed entity, BMMB nonetheless is committed to ensure highest standards of corporate governance are observed at all times.

THE BOARD OF DIRECTORS

An effective Board lead the Bank. The direction and control of the Bank rest firmly with the Board as it effectively assumes the overall responsibility for corporate governance, strategic direction, formulation of policies and overseeing the investments and operations of the Bank. The Board exercises independent oversight on the management and bears the overall responsibility for the performance of the Bank and compliance with the principle of good governance.

There is a clear division of responsibility between the Chairman and the Chief Executive Officer (CEO) to ensure that there is a balance of power and authority. The Board is responsible for reviewing and approving the long-term strategic plan of the Bank as well as the business strategies. It is also responsible for identifying the principal risks and implementation of appropriate systems to manage those risks as well as reviewing the adequacy and integrity of the Bank's internal control systems, management information systems, including systems for compliance with applicable laws, regulations, guidelines and syariah compliance. Whilst, the Management Committee, headed by the CEO, is responsible for the implementation of the strategies and internal control as well as monitoring the performance of the Bank. The Committee is also a forum to deliberate issues pertaining to the Bank's business, strategic initiatives, risk management, manpower development, supporting technology platform and business processes.

a) BOARD BALANCE

The Board currently has eight (8) members, comprising four (4) independent, non-executive directors (including Chairman), three (3) non-independent, non-executive directors and one (1) executive director. The non-independent, non executive directors are the representatives of the major shareholders namely DRB-HICOM Berhad and Khazanah Nasional Berhad. The Board composition complies with the BNM's requirement of having at least 1/3 of the Board to be Independent Directors.

The current Board comprised of members with a well diversified mix of skill and experience from various professional background. A brief profile of each Director is presented on pages 14 to 17 of the Annual Report.

b) BOARD MEETINGS

The Board of Directors meets on a scheduled basis once every month and special Board meetings may also be convened should the need arise. Board papers are sent in advance ahead of Board meetings to facilitate focused and constructive discussions. Permanent issues discussed at each schedule board meeting include the monthly financial performance, Risk Management, Information Technology, Human Resource Management, Shariah Compliance and any other operational matters. The Board has developed a "Schedule of Matters" which provides clarity in terms of key matters that needs to be approved by the Board exclusively.

Corporate Governance Statement (cont'd)

For the financial year ended 31 December 2008, the Board met 18 times to deliberate and consider a variety of significant matters that requires its guidance and approval. All the present Board members have attended at least 75% of the total board meetings held during the year, thus complies with the requirements set by BNM under GP1-i. The details of attendance of each Board member for meeting held during the year under review are set out below:-

Name of members	Attendance record and number of meetings held	Percentage of Attendance (%)
Tan Sri Dato' Dr. Mohd Munir Abdul Majid (appointed as Director on 3 June 2008)	7/8	88
Datuk Haji Mohd Khamil Jamil (appointed as Director on 27 May 2008)	6/8	75
Dato' Haji Mohd Redza Shah Abdul Wahid (appointed as Director on 1 November 2008)	1/1	100
Haji Ismail Ibrahim	18/18	100
Datin Azizah Mohd Jaafar	18/18	100
Haji Abdul Jabbar Abdul Majid	16/18	89
Tengku Dato' Hasmuddin Tengku Othman	16/18	89
Dato' Ismail Shahuddin (chairmanship expires on 17 June 2008)	10 /11	91
Prof. Dato' Dr. Aziuddin Ahmad (resigned with effect from 23 August 2008)	10/14	71
Dato' Abdul Manap Abdul Wahab (contract as CEO expires on 29 February 2008)	N/A	N/A

Note: Subsequent to the financial year ended 31 December 2008, Tuan Haji Mohd Izani Ghani has been appointed as Director on 1 March 2009

c) BOARD'S APPOINTMENT

The Board has a formal and transparent procedure for appointment of new directors /re-appointment of existing directors. The Board upon recommendation of the Nomination Committee considers the candidate for appointment as new directors based on the "fit and proper" criteria and it is subject to approval by Bank Negara Malaysia.

For re-appointment of directors, Nomination Committee will consider and makes its recommendation to the Board within 3 months before the expiry of the director's term. The details of attendance at Board /committee meetings, training/seminar attended level of interaction/contribution at meeting and skill and expertise will be taken into consideration before the Nomination Committee makes its recommendation to the Board for re-appointment of the existing director. The re-appointment of directors is also subject to BNM's approval.

d) BOARD'S ACCESS TO INFORMATION

A formal procedure is in place for the Board to seek information /clarification on certain issues which in turn will facilitate them to discharge their duties effectively. The Company Secretary's office is the central reference to assist and facilitate the Directors to seek further information or clarification. Alternatively, the Board may address or have access to the office of the Senior Management team, Head of Departments / Head of Business units to seek further information and clarification about any issue or concern.

e) **BOARD'S ASSESSMENT**

The board evaluation will be carried out annually in the month of December/January. Each and every board member will be required to self assess the board based on the pre-agreed questionnaires.

The completed questionnaires will need to be returned to the Company's Secretary Office, who will then forward the same to the Nomination Committee (NC) Chairman. The Chairman of the NC together with the Company Secretary will analyze, summarize and conclude the results of the evaluation exercise and present the final results for Board's attention. Any recommendation or suggestion from Board in relation to board evaluation will be then discussed in detail at NC meeting for future improvement.

f) **BOARD'S TRAINING**

Training and seminar will be organized from time to time either internally or externally to enable the Directors to keep abreast with latest developments in the banking industry, particularly on relevant new laws, regulations and changing commercial risks. An in house orientation program is available for new directors on board to educate them on the overall Islamic Banking business, current issues in the Bank, the Bank's corporate strategy as well as general responsibilities of directors.

g) **BOARD COMMITTEES**

The Board is assisted by four (4) committees with its specific terms of reference. This enables the committees to focus on areas or issues of critical importance to the operations of the Bank. Composition, functions and brief terms of reference of each committee are as follows:-

1. **AUDIT COMMITTEE**

The Audit Committee assists the Board of Directors in its monitoring responsibilities for the financial reporting process, the system of internal control, the audit process and the Bank's process for monitoring compliance with laws and regulations and the Bank's code of conduct.

The committee is authorized by the Board to investigate any activities within its terms of reference and has unrestricted access to both the internal and external auditors and Management team of the Bank. Further details on its composition, terms of reference, roles and responsibilities and activities carried out during the year is presented on Page 32 to 34 of this Annual Report.

2. **NOMINATION COMMITTEE**

The Nomination Committee provides a formal and transparent procedure for the appointment of directors, CEO and members of Shariah Committee as well as assessment of effectiveness of board as a whole, Shariah Committee members and performance of CEO and key senior management officers.

The committee's principal functions are to recommend to the Board candidates for appointment as additional directors, to fill up casual vacancies, to carry out an annual review of the mix of skills of directors and to perform an annual assessment of the Board as a whole.

Corporate Governance Statement (cont'd)

The committee is headed by YBhg Datin Azizah Mohd Jaafar and the other members are Tuan Haji Abdul Jabbar Abdul Majid, Tuan Haji Ismail Ibrahim, Prof Dato' Dr. Aziuddin Ahmad and YM Tengku Dato' Hasmuddin Tengku Othman.

During the financial year ended 31 December 2008, the Committee met 13 times and details of attendance of each member are as follows:-

Name of members	Attendance record and number of meetings held	Percentage of attendance (%)
Datin Azizah Mohd Jaafar (Chairman)	13/13	100
Haji Ismail Ibrahim	12/13	92
Haji Abdul Jabbar Abdul Majid	12/13	92
Tengku Dato' Hasmuddin Tengku Othman	12/13	92
Prof. Dato' Dr. Aziuddin Ahmad (resigned with effect from 23 August 2008)	8/10	80

Note: Subsequent to the financial year ended 31 December 2008, YBhg Datuk Haji Mohd Khamil Jamil has been appointed as member of Nomination Committee on 19 February 2009.

3. REMUNERATION COMMITTEE

The Remuneration Committee provides a formal and transparent procedure for developing a remuneration policy for Directors, Chief Executive Officer and Key Senior Management officers and ensuring that the compensation is competitive and consistent with the Islamic bank's culture, objectives and strategy. In addition, the Remuneration committee is also responsible for developing remuneration policy for the Shariah Committee members that commensurate with their roles and responsibilities. The Remuneration Committee will then recommend the proposed remuneration package to the Board for its approval.

The determination of the remuneration package of the directors, Chief Executive Officer, Shariah Committee members and Key Senior Management officers will be a matter for the board as a whole. The individual concerned will abstain from participating and discussion of his/her own remuneration package.

The committee comprises of wholly non-executive directors and chaired by Tuan Haji Abdul Jabbar Abdul Majid. The other members are Tuan Haji Ismail Ibrahim, Prof Dato' Dr. Aziuddin Ahmad and YBhg Datin Azizah Mohd Jaafar.

For the financial year ended 31 December 2008, the committee had 4 meetings. The attendance details of the committee members are set out below:-

Name of members	Attendance record and number of meetings held	Percentage of attendance (%)
Haji Abdul Jabbar Abdul Majid (Chairman)	4/4	100
Haji Ismail Ibrahim	4/4	100
Datin Azizah Mohd Jaafar	4/4	100
Tengku Dato' Hasmuddin Tengku Othman (appointed as member on 24 November 2008)	1/1	100
Prof. Dato' Dr. Aziuddin Ahmad (resigned with effect from 23 August 2008)	1/2	50

Note: Subsequent to the financial year ended 31 December 2008, YBhg Datuk Haji Mohd Khamil Jamil has been appointed as member of Remuneration Committee on 19 February 2009

4. BOARD RISK MANAGEMENT COMMITTEE

The committee is authorized to oversee Management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning. In addition, the risk management committee is also responsible for ensuring that a comprehensive risk management infrastructure is in place for managing the risk associated with Mudharabah and Musharakah financing or investments.

The committee is chaired by YBhg Datin Azizah Mohd Jaafar and the other three members are Tuan Haji Ismail Ibrahim, Tuan Haji Abdul Jabbar Abdul Majid and Prof Dato' Dr. Aziuddin Ahmad.

For the financial year ended 31 December 2008, the committee had 13 meetings. The attendance details of the committee members are set out below:-

Name of members	Attendance record and number of meetings held	Percentage of attendance (%)
Datin Azizah Mohd Jaafar (Chairman)	13/13	100
Haji Ismail Ibrahim	12/13	92
Haji Abdul Jabbar Abdul Majid	12/13	92
Prof. Dato' Dr. Aziuddin Ahmad (resigned with effect from 23 August 2008)	6/9	67

Note: Subsequent to the financial year ended 31 December 2008, YM Tengku Dato' Hasmuddin Tengku Othman has been appointed as a member of Board Risk Management Committee on 19 January 2009.

h) SHARIAH COMMITTEE

The Shariah Committee was established in accordance with the requirements of the Islamic Banking Act, 1983 as well as the Bank's Articles of Association, which prescribe the setting up a Shariah body to ensure that the Bank's conduct its affairs in accordance with the Shariah principles. Members of the Shariah are scholars renowned for their knowledge and experience in Fiqh Muamalat.

Further details of this committee are set out on Pages 22 to 24 of this Report.

In addition to the above committees, the Board has also established two other sub committees' i.e. Special Board Committee and Muamalat Banking Solution Board Steering Committee. The Special Board committee is formed to guide and engage with Management and to provide Board Governance, Supervision and Leadership in ensuring that all recommendations as contained in the Lampiran 1 of the BNM's Examination Report dated 6th April 2007 and the undertaking given as resolved at the Special Board Meeting of 28th June 2007 and submitted to Bank Negara via letter of 4th July 2007 be complied and adhered to.

The Muamalat Banking Solution Board Steering Committee is the forum for the Board to provide strategic business direction and oversees the progress of the Project. Its main responsibility is to ensure project objectives and targets are aligned in accordance to the business strategies and implement according to project schedule.

The Muamalat Banking Solution Board Steering Committee has been disbanded since December 2008.

Corporate Governance Statement (cont'd)

i) INTERNAL AUDIT AND CONTROL ACTIVITIES

The statement of internal control and activities of the Bank are summarized on pages 34 of this Report.

j) RELATED PARTY TRANSACTIONS

The details of related party transactions of the Bank are disclosed on page 97 of the Audited Financial Statement section of this Annual Report.

k) NON - ADHERENCE TO THE GUIDELINES ON CORPORATE GOVERNANCE FOR LICENSED ISLAMIC BANKS (REVISED BNM/GP1-i) DATED JANUARY 2007.

As at the date of this annual report the Bank has not complied with the revised BNM / GP1-i, on the following area:-

Principle 7 of the BNM /GP1-i – there should be a formal and ongoing assessment of the effectiveness of the board as a whole, each individual director and the CEO to ensure their effectiveness

The Board is of the view that the assessment of directors are done on a totality basis which also encompasses and take into consideration each individual director's performance and contribution.

We delivered solid performance
in our established markets and built upon
our strong position in emerging ones.

We are positioned to grow
with the world.

■ Ottoman Short Sword - Yataghan
18th - 19th Century AD



ILM

“Proclaim! And thy Lord is Most Bountiful, - He
Who taught (the use of) the pen, - Taught man
that which he knew not.”

Surah Al Alaq V.3 -5

Board Audit Committee



1. *Haji Abdul Jabbar Abdul Majid*
2. *Datin Azizah Mohd Jaafar*
3. *Tengku Dato' Hasmuddin Tengku Othman*
4. *Haji Ismail Ibrahim*

COMPOSITION

The Board Audit Committee (“Committee”) consists of members of the Board of Directors responsible to fulfil the oversight function in relation to the adequacy and integrity of system of internal controls and financial reporting, risk management and the compliance with internal policies, procedures and external applicable rules and regulations. The Committee members are:

HAJI ABDUL JABBAR ABDUL MAJID

Chairman / Independent Non-Executive Director

DATIN AZIZAH MOHD JAAFAR

Member / Independent Non-Executive Director

HAJI ISMAIL IBRAHIM

Member / Non-Independent Non-Executive Director

TENGGU DATO’ HASMUDDIN TENGGU OTHMAN

Member / Independent Non-Executive Director

AUTHORITY

In carrying out its duties and responsibilities, the Committee shall have full and unrestricted access to the Bank’s records and meet any of the Bank’s employees. The Committee has the authority and empowered to:

- meet and discuss with members of Management, internal and external auditors or external parties, where necessary;
- obtain advice and assistance from relevant parties deemed fit by the Committee;
- recommend to the Board of Directors the appointment and removal of the external auditor;
- oversee and assess the performance of the external auditor and Chief Internal Auditor who report directly to the Committee; and
- seek any information it requires from employees, all of whom are directed to cooperate with the Committee’s requests or any external parties with prior approval from the Committee.

DUTIES & RESPONSIBILITIES

The primary duties and responsibilities of the Committee based on the vested authority are as follows:

- review significant accounting and reporting issues, recent professional and regulatory pronouncements and understand their impact on the financial statements;
- review the audited financial statements of the Bank and the Group to ensure compliance with appropriate accounting policies, accounting standards and disclosure requirements before submission to the Board and the regulators;
- review the adequacy and effectiveness of the Bank’s internal control, risk management and governance processes instituted by the Bank;
- review and approve the Internal Audit Charter, strategy and annual plans of the internal audit function;
- review the performance and effectiveness of the internal audit function and its compliance with the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing;
- review the external auditors’ audit plan, scope and approach and their audit reports;
- review the effectiveness of the system for monitoring compliance with laws and regulations; and
- regularly report to the Board of Directors on the Committee’s activities, key issues, related recommendations and action plans.

Board Audit Committee (cont'd)

ATTENDANCE OF MEETINGS

In 2008, there were eleven (11) Board Audit Committee meetings and five (5) Special Board Audit Committee meetings. Details of attendance of the Committee members are as follows:

Committee members	Attendance / No of meetings held
Haji Abdul Jabbar Abdul Majid	16/16
Datin Azizah Mohd Jaafar	16/16
Haji Ismail Ibrahim	15/16
Tengku Dato' Hasmuddin Tengku Othman	11/16

STATEMENT ON INTERNAL CONTROL

The Committee affirms that it is responsible to ensure that the Bank's systems of internal control is adequate and effective to manage the risk profile within the Bank's risk appetite and recognizes the need for, and the value of, a sound system of internal control Bank-wide.

For the period under review, the Committee is of the view that the systems of internal control is in place up to the date of issuance of the annual report and financial statements to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

The Committee is supported by the Internal Audit Department, which forms an integral part of the governance processes in the Bank. It assists the Committee by providing reasonable assurance and value-added service on the adequacy, integrity and effectiveness of the system of internal control and financial reporting, and compliance with internal policies, procedures and external applicable rules and regulations.

The Internal Audit Department ("IAD") undertakes internal audit functions based on an annual audit plan reviewed and approved by the Board Audit Committee. In preparation of the audit plan, IAD has taken into consideration the strategy, objectives, risk and internal controls environment of the Bank and its operating units.

The IAD monitors the risks, internal controls and compliance matters through a structured approach and periodic audit visits to operating units and branches, frequency of which is determined by the level of risk assessed and provides reports for the Committee's review and deliberation in their periodic meeting.

The Committee reviews all the significant findings, recommendations and action plans reported by the IAD, Management, external auditors and regulators. It also reviews the internal audit functions with particular emphasis on the scope, quality of audits and independence of the IAD.

Policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, guidelines and directives issued by the Bank and the regulatory authorities, which are updated from time to time.

Mamluk-inspired Ceramic Mosque Lamp ■
19th - 20th Century AD • Italy



IKHLAS

“And they have been commanded no more than this: To worship Allah, offering Him sincere devotion, being true (in faith); to establish regular prayer; and to practise regular charity; and that is the Religion Right and Straight.”

Surah Al Baiyina V.5

Board Risk Management Committee



1. *Datin Azizah Mohd Jaafar*
2. *Haji Abdul Jabbar Abdul Majid*
3. *Tengku Dato' Hasmuddin Tengku Othman*
4. *Haji Ismail Ibrahim*

OVERVIEW

The integrated risk management system enables the Bank to achieve a single view of risks across its various business operations and gain strategic competitive advantage from its capabilities.

It is the strategy and technique of managing risks by taking a holistic approach towards risk management process, which includes risk identification, measurement and management.

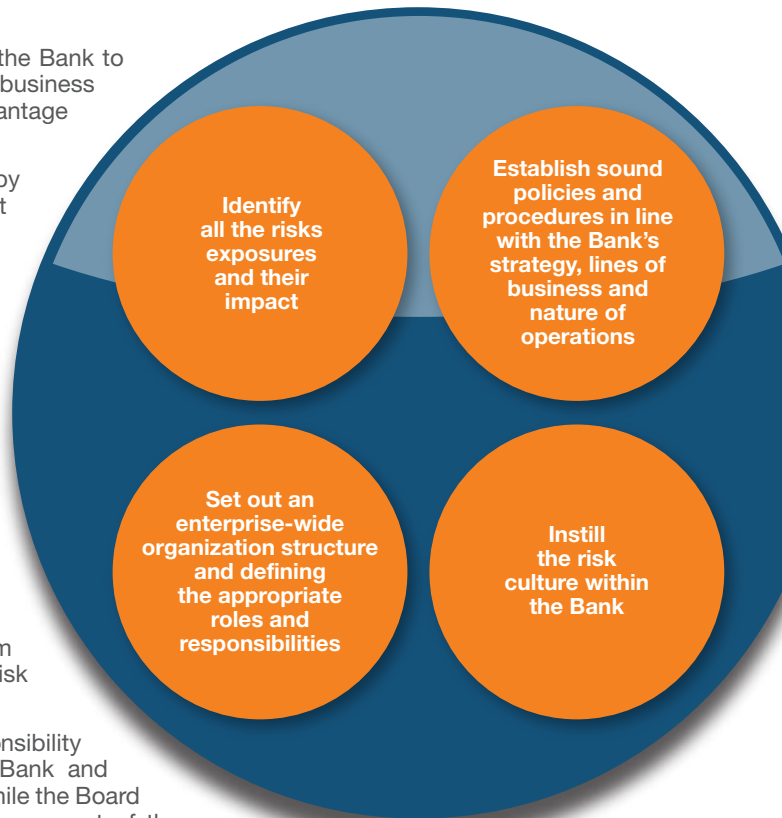
It also aims at integrating the control and optimization of the principal risk areas of Market Risk (MR), Asset and Liability Management (ALM), Credit Risk (CR) and Operational Risk (OR); and building the requisite risk management organization, infrastructure, process and technology with the objective of advancing the Bank towards value protection and creation.

RISK GOVERNANCE

A stable enterprise-level organisation structure for risk management is necessary to ensure a uniform view of risks across the Bank and form strong risk governance.

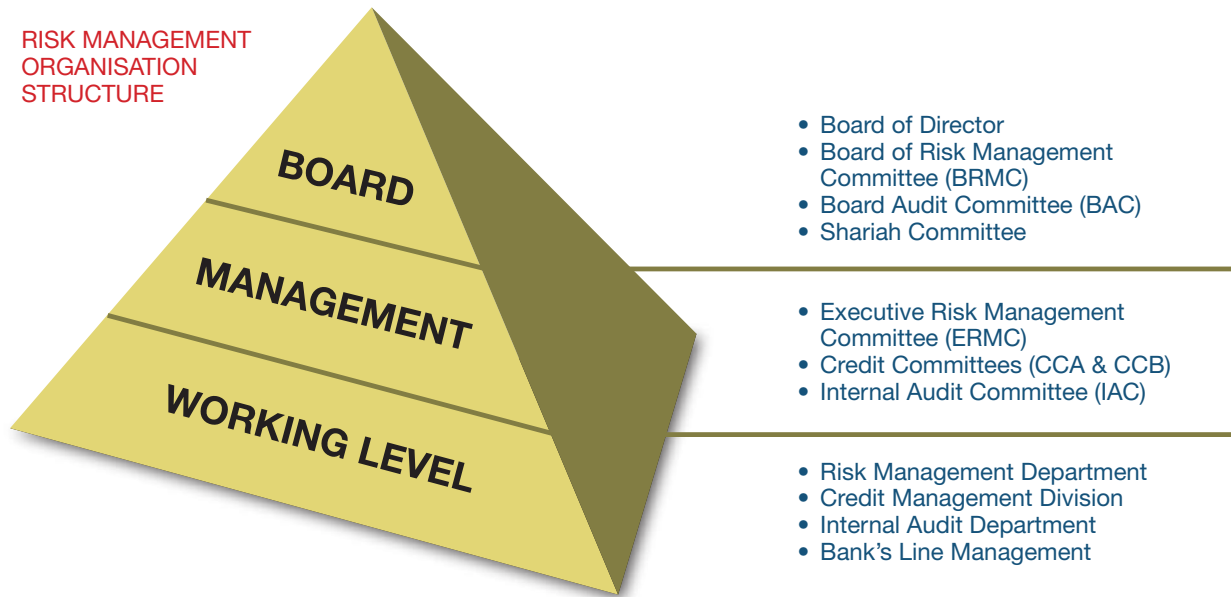
The Board of Directors has the overall responsibility for understanding the risks undertaken by the Bank and ensuring that these risks are properly managed. While the Board of Directors is ultimately responsible for risk management of the Bank, it has entrusted the Board Risk Management Committee (BRMC) to carry out its functions. BRMC, which is chaired by an independent director of the Board, oversees the overall management of risks.

The execution of the Board's risk strategies and policies is the responsibility of the Bank's Management and the conduct of these functions are being exercised under a committee structure, namely the Executive Risk Management Committee (ERMC). The Chief Executive Officer (CEO) chairs the ERMC. The Committee focuses on the overall business strategies and day-to-day business operations of the Bank in respect of risk management. To carry out the day-to-day risk management functions, a dedicated Risk Management Department (RMD) that is independent of profit and volume target, supports the above committees.



Risk Management

RISK MANAGEMENT ORGANISATION STRUCTURE



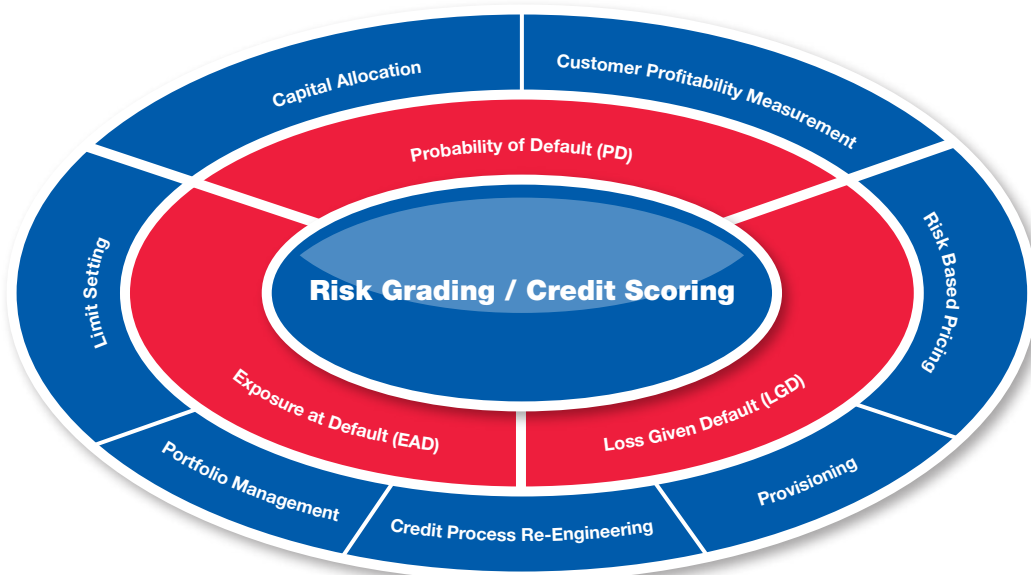
CREDIT RISK MANAGEMENT

Credit Risk is defined as the potential loss to the Bank as a result of defaults in payment by counter parties via financing and investment activities. The primary objective of Credit Risk Management is to identify, quantify, aggregate and manage credit risk exposures of the Bank. The output and analysis of these objectives has become extremely important in risk management in order to ensure that the Bank's exposures to credit are always kept within the Bank's risk appetite and able to identify the Bank's risk tolerance level. Not only could the needs for credit risk form the base for decisions in credit portfolio management, but also support for equity-capital allocation by the Bank.

The management of credit risk is governed by a full set of credit related policies currently incorporated in the Guidelines to Credit Risk Policies, which have been in compliance with the Integrated Risk Management Framework (IRMF), BNM's Guidelines, BNM's Capital Adequacy Framework for Islamic Banks (CAFIB), and Islamic Financial Services Board (IFSB). The policies & guidelines have been reviewed and updated according to the Bank's latest risk tolerance.

INTERNAL RATING MODELS

The Bank has implemented its own internal credit rating system for business financing incorporating quantitative and qualitative factors of the counter parties. On top of that, the Bank has implemented an internal credit risk rating for Consumer financing. The credit risk rating is an important tool in monitoring the quality of individual credits, as well as the total portfolio. Hence, the Bank, from time to time will revise the rating system to be consistent with the nature, size and complexity of the Bank's activities. As a result, the bank shall be using a Comprehensive Risk Grading System as shown below:



SECTOR EXPOSURE LIMIT

Credit Risk Management performs review of exposure limit for each sector and recommends the relevant limit to the Board for approval. The Bank is to ensure that the risk limits are appropriate and justified for the business activities of each specified sector / industry.

STRESS TESTING

The stress testing activities are conducted within the parameters and guidelines stipulated in the Stress Testing Framework. Stress testing involves identifying possible events or future changes in the financial and economic condition that could have unfavourable effects on the Bank's exposure and the assessment of the Bank's ability to withstand such changes, usually in relation to the capacity of its capital and earnings to absorb potentially significant losses. The stress testing covers Corporate, Investment, Commercial, Retail Business and Consumer Banking. The stress test results are tabled to Executive Risk Management Committee, Board Risk Management Committee and full Board for deliberation.

MUAMALAT BANKING SOLUTION (MBS)

The Bank is embarking on a new system (bankwide), namely Muamalat Banking Solution (MBS). The MBS will be built on the foundation of Collateral and should be able to upgrade the Information System of Credit Risk Management amongst others, Collateral Management System, Credit Analytics and Portfolio Management for both consumer and business financing to ensure timely risk analysis and more effective decision making.

Risk Management

MARKET RISK MANAGEMENT (MRM) AND ASSET LIABILITY MANAGEMENT (ALM)

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. ALM refers to the coordinated management of the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on the Bank's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Bank.

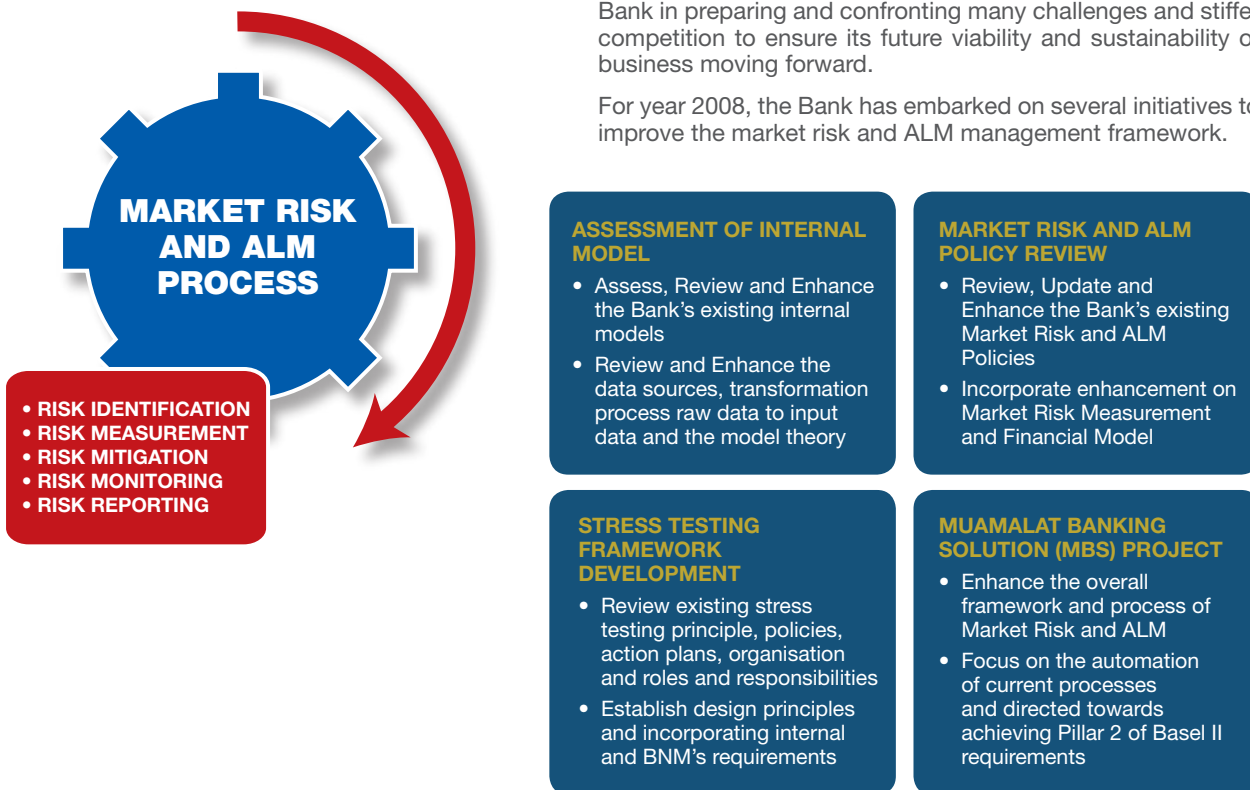
The Bank's market risk management and ALM objectives are to;

- Ensure the implementation of an effective market risk management system in the Bank;
- Assume an appropriate balance between the level of risk and the level of return desired in order to maximize the return to shareholder's funds;
- Ensure prudent management of the Bank's resources to support the growth of the Bank's economic value; and
- Proactively manage the Bank's balance sheet, which includes assets, liabilities and capital in order to maximize earnings and attain its strategic goal within the overall risk/return preferences.

In order for the Bank to achieve its objectives, the Bank has put in place an effective market risk and ALM management process as depicted below:

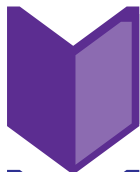
The Bank achieves its market risk and ALM objectives through strategic business plan which is developed within the Bank's risk tolerance level. Besides that the Bank had embarked on several initiatives to improve the market risk management and ALM framework. The effective framework shall help the Bank in preparing and confronting many challenges and stiffer competition to ensure its future viability and sustainability of business moving forward.

For year 2008, the Bank has embarked on several initiatives to improve the market risk and ALM management framework.



STRESS TESTING

Stress testing is used as a market risk and ALM tool for evaluation of the potential impact on the Bank or measurement of performance under plausible extreme adverse conditions to the Bank's asset quality, liquidity, profit and finally capital:



Evaluate the quality of assets in terms of financing, treasury / investment portfolios and other assets to identify existing and potential loss exposure to the Bank



Evaluate the Bank's ability to meet its financial obligation at any time arising from funding and assets / market liquidity risks exposure



Evaluate the impact of stress testing against baseline profit as profits normally act as the first line of defence before dipping into capital



Evaluate the Bank's ability to meet its capital requirements at all times throughout a reasonably severe economic recession and not just adequacy of capital today

The economic outlook for year 2009, which is dampened by global financial crisis, holds more challenges and stiffer competition for the Bank. Therefore a comprehensive stress testing had been conducted to ascertain the impact in the Bank's earning and capital position and subsequently appropriate actions had been outlined to mitigate the issues highlighted in the stress test process.

OPERATIONAL RISK MANAGEMENT (ORM)

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal process, people, system and external events. The Bank is fully aware of the inherent operational risk in financial services activities.

To minimise the adverse effect of possible financial and non-financial loss, the Bank has embarked on the Operational Risk Management (ORM) program which will effectively:

- Identify potential sources of loss;
- Assess the financial and non-financial consequences of loss occurring; and
- Using procedural or system controls to minimise actual losses of the financial consequences.

One of the ORM initiatives is Business Continuity Management (BCM).

Risk Management

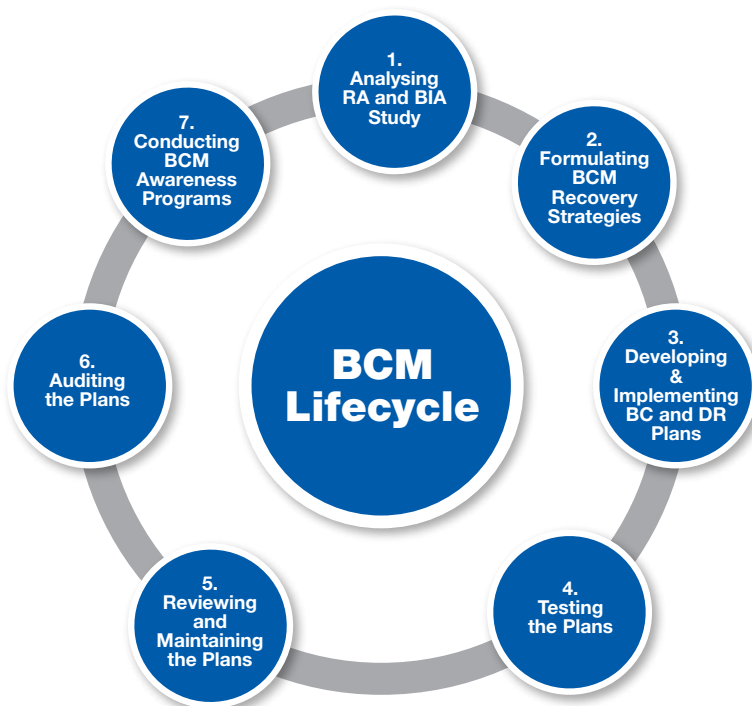
BUSINESS CONTINUITY MANAGEMENT (BCM)

Competition, regulation and other predictabilities are normal challenges that affect an organization. Unpredictable events that have a potential to cripple a business will bring an organization to its knees. The real issues are increasing threats of external environment and potential weakness in some modern business system which will contribute to interruption in communication.

The management of Bank Muamalat understands this risk and Business Continuity Management (BCM) has become an important segment of the Bank's focus beside business. Information Technology Department (ITD) has been dedicated to coordinate the implementation of two core components of BCM i.e. Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) respectively. As an indication of commitment, Board's and Senior Management's risk committees have been part of the BCM planning process and senior management participates in the emergency team during a disaster.

OVERVIEW OF BCM LIFECYCLE

The Bank has adopted the following steps when developing a business continuity management plan:



BCM LIFECYCLE PROCESS

Analysing RA and BIA study	<ul style="list-style-type: none"> • RA is the process of identifying potential threat • BIA is the process of determining the criticality of business process, system and resources.
Formulating recovery strategy	<ul style="list-style-type: none"> • Formulate a comprehensive and workable documented BC and DR plans.
Developing and implementing plans	<ul style="list-style-type: none"> • Selecting an appropriate strategy to mitigate loss of business' critical functions.
Testing the plans	<ul style="list-style-type: none"> • Test the BC and DR plans once and twice a year.
Reviewing and maintaining plans	<ul style="list-style-type: none"> • Regular review and update BC and DR plans based on RA and BIA report and gap identified during testing.
Auditing the plans	<ul style="list-style-type: none"> • Verify the implementation of BCM practices
Conducting awareness program	<ul style="list-style-type: none"> • Educate relevant internal and external parties to promote awareness and gain public confidence

RECOVERY STRATEGY

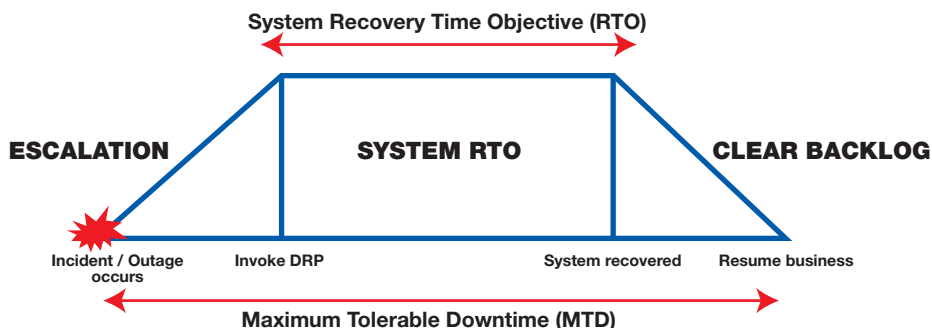
The main source of information for development of a recovery strategy is the Risk Assessment (RA) and Business Impact Analysis (BIA) report. RA and BIA report identifies the essential business operations and their minimum recovery levels and recovery time objectives. Areas of recovery strategies include;

- Business
- IT infrastructure
- Data
- Manpower

The objectives of recovery plan are to:

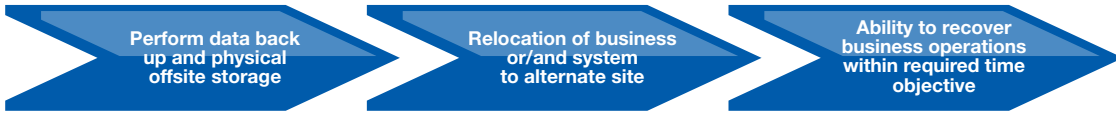
- Ensure the Bank is capable to meet its recovery time objectives (RTO).
- Establish the Maximum Tolerable Downtime (MTD) so as to meet service level commitment with customers.
- Identify recovery site and appoint key staff to man the site.
- Communicate with business units, counterparts and third party vendor affected.
- Minimise financial, legal and regulatory exposure.

Guided by Bank Negara Malaysia's BCM Guidelines, the Bank defines RTO as the timeframe required for IT systems and applications to be recovered and operationally ready to support business functions after an outage. MTD is the timeframe during which a recovery must become effective before an outage compromises the ability of the Bank to achieve its business objectives and survival.



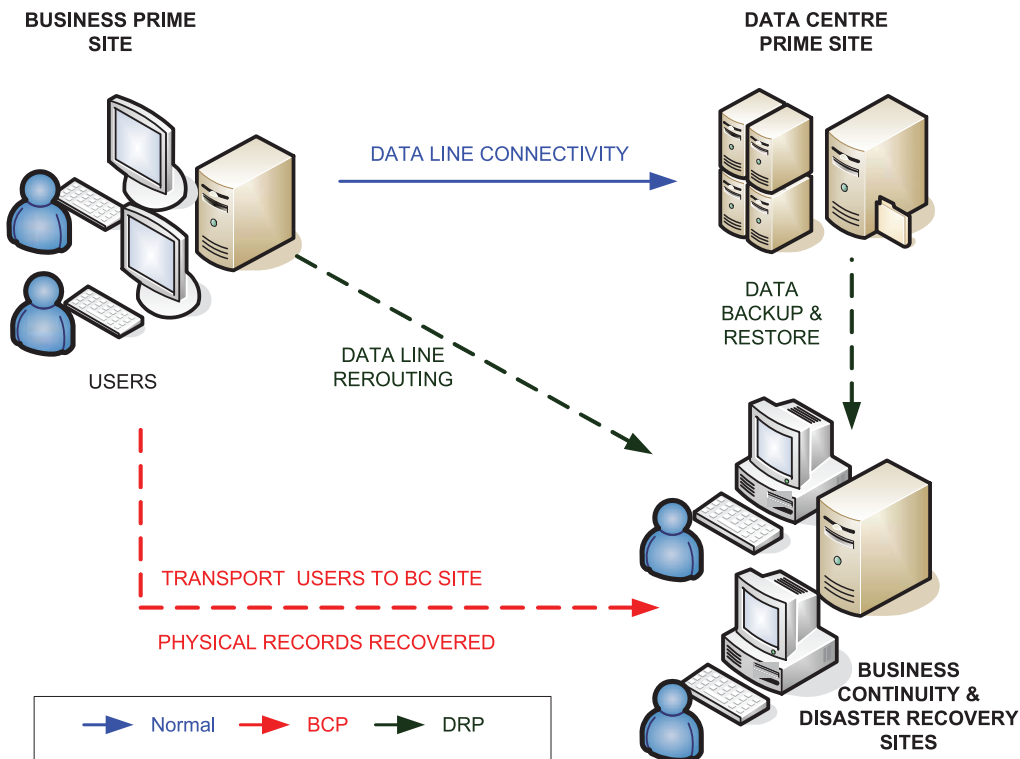
Risk Management

RECOVERY PLAN PROCESSES



BUSINESS CONTINUITY AND DISASTER RECOVERY SITES

One of the Bank's recovery strategies is the setting up of Business Continuity (BC) and Disaster Recovery (DR) sites as alternate facilities that already have in place the computer, telecommunications, and business work areas. This recovery strategy is designed to recover critical business functions and information systems. The BC and DR sites enable the business operations and IT systems to be relocated with minimal losses to normal operations. For BC, the Bank has established dedicated hot sites for Treasury, RENTAS and e-SPICK.





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Directors' Report

The directors hereby present their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are Islamic banking business and related financial services.

The principal activities of the subsidiaries are as disclosed in Note 12 to the financial statements.

There have been no significant changes in these activities during the financial year.

RESULTS

	Group RM'000	Bank RM'000
Profit for the year	<u>31,951</u>	<u>30,295</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

No dividend has been paid or declared by the Bank since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

DIRECTORS

The names of the directors of the Bank in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Dr. Mohd Munir Abdul Majid	(appointed on 3 June 2008)
Datuk Haji Mohd Khamil Jamil	(appointed on 27 May 2008)
Dato' Haji Mohd Redza Shah Abdul Wahid	(appointed on 1 November 2008)
Haji Mohd Izani Ghani	(appointed on 1 March 2009)
Haji Ismail Ibrahim	
Datin Azizah Mohd. Jaafar	
Haji Abdul Jabbar Abdul Majid	
Tengku Dato' Hasmuddin Tengku Othman	
Dato' Ismail Shahudin	(resigned on 17 June 2008)
Dato' Abdul Manap Abd Wahab	(resigned on 29 February 2008)
Prof. Dato' Dr. Aziuddin Ahmad	(resigned on 23 August 2008)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 28 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for certain directors who received remuneration from a subsidiary company of the immediate holding company.

ISSUE OF SHARES

During the financial year, the Bank increased its issued and paid up ordinary share capital from RM250,000,000 to RM397,275,000 by converting 147,275,000 Musharakah Irredeemable Non Cumulative Convertible Preference shares of RM1 each to 147,275,000 ordinary shares of RM1 each. The new ordinary shares issued during the year ranked pari passu in all respects with the ordinary shares of the Bank.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of director in office at the end of the financial year in shares in the Bank and its related corporations are as follows:

Interest in Etika Strategi Sdn Bhd (ultimate holding company):

	Number of ordinary shares of RM1.00 each			As at 31.3.2009
	As at 22.10.2008*	Acquired	Disposed	
Datuk Haji Mohd Khamil Jamil	30,000	-	-	30,000

* Date Etika Strategi Sdn Bhd became the holding company.

None of the other directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, an interest in shares of the Bank or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

- (a) Before the income statement and balance sheet of the Group and the Bank were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing and have satisfied themselves that all known bad financing had been written off and that adequate allowance had been made for bad and doubtful financing; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.
- (b) As at the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad financing, or the amount of the allowance for bad and doubtful financing in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the value attributed to current assets in the financial statements of the Group and of the Bank misleading.
- (c) As at the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

Directors' Report

OTHER STATUTORY INFORMATION (CONT'D)

- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

BUSINESS REVIEW 2008

The bank recorded a lower profit before taxation and zakat of RM42.4 million against RM65.5 million recorded in 2007. The modest performance is attributable to lower income on capital gains due to the lower volume traded during the year and higher allowance for losses on financing increasing from RM117.0 million to RM166.4 million comparatively. However, the downward impact is cushioned by the improvement in financing income in tandem with higher financing growth.

Total asset increased to RM14.4 billion from RM13.8 billion in 2007 mainly due to increase in financing asset.

Risk Weighted Capital Ratio increased moderately from 11.1% as of 2007 to 12.8% in 2008.

PROSPECTS 2009

As the global economy is entering a major downturn amidst the deepening financial crisis, Malaysia appears increasingly likely to confront a similar environment of sharp economic slowdown and rising vulnerabilities. The underlying trend will dampen economic prospects through a number of potential channels, especially the diminishing demand for the nation's exports, increased volatility in the flow of capital, depressed equity prices and the deterioration in consumer demand.

A severe global recession has intensified outlook risks that appears tilted firmly to the downside and prospects seem increasingly dependent on domestic drivers, in particular, the public sector where policies to safeguard financial systems and sustain orderly conditions for consumption and credit will be fundamental. At the same time, prioritised and enhanced fiscal stimulus will be critical to cushion the underlying implications.

On the Islamic finance front, and specifically, Bank Muamalat, it is a consolidation phase, essentially an opportunity to strengthen and redefine its position in an increasingly discerning environment.

In order to enhance the Banks' capital base, the shareholders of the Bank have on 18 February 2009, approved further capital injection of RM500 million into the Bank. This will enhance the Risk Weighted Capital Ratio of the Bank from its current 12.8% to 18.2%.

Rating Agency	Date	Classification	Received
Rating Agency Malaysia Berhad	9 January 2009	Long Term	A2
		Short Term	P1
		Subordinated Bond	A3
		Outlook	Negative

SIGNIFICANT EVENTS

During the financial year, DRB-HICOM Berhad acquired 70% stake in the bank from Bukhary Capital Sdn Bhd, and became the immediate holding company of the bank. The ultimate holding company is Etika Strategi Sdn Bhd.

SUBSEQUENT EVENTS

Subsequent events are disclosed in note 45 to the financial statements.

DISCLOSURE OF SHARIAH COMMITTEE

The Bank's business activities are subject to the Shariah compliance and conformation by the Shariah Committee consisting of 4 members appointed by the Board for a 2-year term. The duties and responsibilities of the Shariah Committee were governed by the Guideline on The Governance of Shariah Committee for the Islamic Financial Institutions (BNM / GPS 1) issued by the Bank Negara Malaysia (BNM). The duties and responsibilities of the Shariah Committee are as follow:

- (a) To advise the Board on Shariah matters in order to ensure that the business operations of the Bank comply with Shariah principles at all times.
- (b) To endorse and validate all the products, relevant legal documentations, Standard Operating Procedures (SOP), and marketing advertisements.
- (c) To assist related parties on Shariah matters for advice upon request.
- (d) To advise the Bank to consult Shariah Advisory Council (SAC), BNM on any matters which have not been resolved or endorsed by the SAC, BNM.
- (e) To provide written Shariah opinion.
- (f) To assist the SAC, BNM on reference for advice by providing relevant Shariah jurisprudential literature from the established sources.

ZAKAT OBLIGATIONS

The Bank only pays zakat on its business. The Bank does not pay zakat on behalf of the shareholders or depositors.

AUDITORS

The auditors, Ernst & Young, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2009.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid

Kuala Lumpur, Malaysia

Dato' Mohd Redza Shah Abdul Wahid

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Dr. Mohd Munir Abdul Majid and Dato' Mohd Redza Shah Abdul Wahid, being two of the directors of Bank Muamalat Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 54 to 121 are drawn up in accordance with the provisions of Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines and Shariah principles, so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2008 and of their financial performance and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2009.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid

Kuala Lumpur, Malaysia

Dato' Mohd Redza Shah Abdul Wahid

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, PeerMohamed Ibramsha being the officer primarily responsible for the financial management of Bank Muamalat Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 54 to 121 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed PeerMohamed Ibramsha
at Kuala Lumpur in Federal Territory
on 30 March 2009

PeerMohamed Ibramsha

Before me,

Commissioner for Oaths

Report of the Shariah Committee

We, the Shariah Committee of Bank Muamalat Malaysia Berhad, do hereby confirm that in our opinion, the operations of the Bank, to the best of its effort for the year ended 31 December 2008 and to the best of our knowledge, have been conducted in conformity with the Shariah principles.

Signed on behalf of the Shariah Committee,

Azizi Che Seman

Associate Professor Dr. Mohamad Sabri Haron

Kuala Lumpur, Malaysia

30 March 2009

Independent Auditors' Report

to the members of Bank Muamalat Malaysia Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the balance sheet as at 31 December 2008 of the Group and the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 54 to 121.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia Guidelines, the Companies Act, 1965 in Malaysia and Shariah principles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia Guidelines, the Companies Act, 1965 in Malaysia and Shariah principles so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2008 and of its financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Independent Auditors' Report

to the members of Bank Muamalat Malaysia Berhad (Incorporated in Malaysia)

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young

AF: 0039
Chartered Accountants

Nik Rahmat Kamarulzaman bin Nik Ab. Rahman

No. 1759/02/10(J)
Chartered Accountant

Kuala Lumpur, Malaysia

30 March 2009

Balance Sheets

as at 31 December 2008 (3 Muharram 1430)

	Note	Group		Bank	
		2008	2007	2008	2007
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	4	5,067,282	4,466,215	5,067,282	4,465,895
Securities:					
Held-to-maturity	5 (a)	30,891	30,891	30,891	30,891
Available-for-sale	5 (b)	2,871,016	3,302,350	2,871,016	3,302,350
Financing of customers	6	6,027,516	5,585,247	6,042,668	5,585,247
Statutory deposits with Bank					
Negara Malaysia	8	251,771	288,471	251,771	288,471
Other assets	9	70,502	65,885	64,797	66,139
Property, plant and equipment	10	43,822	44,530	43,724	44,427
Prepaid land lease payment	11	265	269	265	269
Investment in subsidiaries	12	-	-	7,675	10,723
Deferred tax assets (net)	13	35,580	23,013	35,580	23,013
Goodwill	14	-	1,219	-	-
Total assets		14,398,645	13,808,090	14,415,669	13,817,425
LIABILITIES					
Deposits from customers	15	12,447,970	12,172,868	12,464,698	12,180,247
Deposits and placements of banks and other financial institutions	16	250,425	228,014	250,425	228,014
Bills and acceptances payable		651,916	343,940	651,916	343,940
Other liabilities	17	95,883	75,507	95,775	75,435
Provision for zakat and taxation	18	215	430	215	430
Subordinated bonds	20	250,000	250,000	250,000	250,000
Total liabilities		13,696,409	13,070,759	13,713,029	13,078,066
SHAREHOLDERS' EQUITY					
Share capital	19	500,000	500,000	500,000	500,000
Reserves	21	202,236	237,331	202,640	239,359
TOTAL SHAREHOLDERS' EQUITY		702,236	737,331	702,640	739,359
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,398,645	13,808,090	14,415,669	13,817,425
COMMITMENTS AND CONTINGENCIES	36	6,132,497	4,690,562	6,132,497	4,690,562
CAPITAL ADEQUACY *	41				
Core capital ratio		8.8%	7.6%	8.8%	7.6%
Risk-weighted capital ratio		12.9%	11.2%	12.8%	11.1%

* The capital adequacy ratios are computed after taking into account the credit and market risks.

The accompanying notes form an integral part of the financial statements.

Income Statements

for the year ended 31 December 2008 (3 Muharram 1430)

	Note	Group		Bank	
		2008	2007	2008	2007
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	22	718,333	678,510	719,178	679,000
Income derived from investment of shareholders' funds	23	72,338	85,140	71,150	84,750
Allowance for losses on financing	24	(166,137)	(117,048)	(166,368)	(117,048)
Writeback of provision for commitments and contingencies		1,000	-	1,000	-
Impairment loss	25	(21,739)	(34,649)	(23,568)	(34,649)
Marked to market gain / (loss) from derivatives		1,977	(1,128)	1,977	(1,128)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(22,703)	(19,869)	(22,703)	(19,869)
TOTAL DISTRIBUTABLE INCOME		583,069	590,956	580,666	591,056
Income attributable to depositors	26	(318,851)	(325,542)	(319,023)	(325,742)
TOTAL NET INCOME		264,218	265,414	261,643	265,314
Personnel expenses	27	(100,266)	(91,480)	(99,831)	(90,597)
Other overheads and expenditures	30	(104,259)	(94,151)	(103,802)	(93,630)
Finance cost	31	(15,625)	(15,545)	(15,625)	(15,545)
PROFIT BEFORE ZAKAT AND TAXATION		44,068	64,238	42,385	65,542
Zakat	32	(215)	(207)	(215)	(207)
Taxation	33	(11,902)	(15,893)	(11,875)	(15,893)
NET PROFIT FOR THE FINANCIAL YEAR		31,951	48,138	30,295	49,442
Earnings per share attributable to equity holders of the parent (sen)					
Basic	34 (a)	8.0	19.3	7.6	19.8
Diluted	34 (b)	6.4	9.6	6.1	9.9

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2008 (3 Muharram 1430)

	← Attributable to Equity Holders of the Parent →							
	← Non-distributable →							
	← Share Capital →							
	Ordinary Shares	Musharakah irredeemable non- cumulative convertible preference shares	Statutory reserve*	Net unrealised gains / (losses) on available- for-sale securities	Distributable Retained profits	Total	Minority Interest	Total Equity
GROUP	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2007	250,000	250,000	115,963	9,287	87,876	713,126	3,511	716,637
Acquisition of a subsidiary	-	-	-	-	-	-	(3,511)	(3,511)
Net losses not recognised in the income statement	-	-	-	(13,805)	-	(13,805)	-	(13,805)
Net profit for the year	-	-	-	-	48,138	48,138	-	48,138
Transfer to statutory reserve	-	-	24,750	-	(24,750)	-	-	-
Dividend paid	-	-	-	-	(10,128)	(10,128)	-	(10,128)
At 31 December 2007	250,000	250,000	140,713	(4,518)	101,136	737,331	-	737,331
At 1 January 2008	250,000	250,000	140,713	(4,518)	101,136	737,331	-	737,331
Net losses not recognised in the income statement	-	-	-	(67,046)	-	(67,046)	-	(67,046)
Net profit for the year	-	-	-	-	31,951	31,951	-	31,951
Transfer to statutory reserve	-	-	15,975	-	(15,975)	-	-	-
Converted to ordinary shares during the year	147,275	(147,275)	-	-	-	-	-	-
At 31 December 2008	397,275	102,725	156,688	(71,564)	117,112	702,236	-	702,236

* The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act 1983 and is not distributable as dividends.

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity
for the year ended 31 December 2008 (3 Muharram 1430)

	← Share Capital →		← Non-distributable →			
	Ordinary Shares	Musharakah irredeemable non-cumulative convertible preference shares	Statutory reserve*	Net unrealised gains / (losses) on available- for-sale securities	Distributable Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK						
At 1 January 2007	250,000	250,000	115,963	9,287	88,708	713,958
Net losses not recognised in the income statement	-	-	-	(13,913)	-	(13,913)
Net profit for the year	-	-	-	-	49,442	49,442
Transfer to statutory reserve	-	-	24,721	-	(24,721)	-
Dividend paid	-	-	-	-	(10,128)	(10,128)
At 31 December 2007	250,000	250,000	140,684	(4,626)	103,301	739,359
At 1 January 2008	250,000	250,000	140,684	(4,626)	103,301	739,359
Net losses not recognised in the income statement	-	-	-	(67,014)	-	(67,014)
Net profit for the year	-	-	-	-	30,295	30,295
Transfer to statutory reserve	-	-	15,149	-	(15,149)	-
Converted to ordinary shares during the year	147,275	(147,275)	-	-	-	-
At 31 December 2008	397,275	102,725	155,833	(71,640)	118,447	702,640

* The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act 1983 and is not distributable as dividends.

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

for the year ended 31 December 2008 (3 Muharram 1430)

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	44,068	64,238	42,385	65,542
Adjustment for				
Amortisation of prepaid land and lease payment	4	4	4	4
Depreciation property, plant and equipment	12,413	13,016	12,378	12,985
Loss / (gain) disposal of property, plant and equipment	4	(30)	4	(30)
Marked to market (gain) / loss on derivatives	(1,977)	1,128	(1,977)	1,128
Amortisation of premium less accretion of discount	(12,253)	(15,259)	(12,253)	(15,259)
Net gain from sale of Available-for-sale securities	(1,992)	(12,704)	(1,992)	(12,704)
Net gain from sale of Held-for-trading securities	(1,546)	(26,500)	(1,546)	(26,500)
Net gain from foreign exchange transaction	(14,015)	(11,966)	(14,015)	(11,966)
Impairment loss	21,739	34,649	23,568	34,649
Loss on allowance for losses on financing	166,069	117,070	166,368	117,070
Writeback provision for commitment and contingencies	(1,000)	-	(1,000)	-
Dividend income	(2,702)	(2,329)	(2,702)	(2,329)
Operating profit before working capital changes	208,812	161,317	209,222	162,590
(INCREASE) / DECREASE IN OPERATING ASSETS:				
Financing of customers	(603,467)	(554,145)	(624,911)	(554,145)
Statutory deposits with Bank Negara Malaysia	36,700	(9,211)	36,700	(9,211)
Other assets	(4,363)	(21,139)	1,342	(13,284)
INCREASE / (DECREASE) IN OPERATING LIABILITIES:				
Deposits from customers	290,134	122,041	306,862	112,739
Bill and acceptance payable	307,976	225,377	307,976	225,377
Other liabilities	21,233	(14,717)	20,125	(11,087)
Cash generated from / (used in) operation	257,025	(90,477)	257,316	(87,021)
Zakat paid	(430)	(317)	(430)	(317)
Tax paid	(14,274)	(19,810)	(14,274)	(19,810)
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	242,321	(110,604)	242,612	(107,148)

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

for the year ended 31 December 2008 (3 Muharram 1430) (cont'd)

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceed / (Purchase) of securities, net	367,752	(463,581)	367,752	(463,581)
Proceed from disposal of property, plant and equipment	3	33	3	33
Purchase of property, plant and equipment	(11,711)	(9,584)	(11,682)	(9,568)
Acquisition of subsidiary, net of cash acquired	-	(1,090)	-	(4,418)
Dividend income	2,702	2,329	2,702	2,329
NET CASH GENERATED FROM / (USED IN) INVESTING ACTIVITIES	358,746	(471,893)	358,775	(475,205)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid	-	(10,128)	-	(10,128)
NET CASH USED IN FINANCING ACTIVITIES	-	(10,128)	-	(10,128)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	601,067	(592,625)	601,387	(592,481)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,466,215	5,058,840	4,465,895	5,058,376
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,067,282	4,466,215	5,067,282	4,465,895
CASH AND CASH EQUIVALENTS CONSIST OF:				
Cash and short term funds	5,067,282	4,466,215	5,067,282	4,465,895

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

1. CORPORATE INFORMATION

The Bank is principally engaged in all aspects of Islamic banking and finance business and in the provision of related services in accordance with Shariah principles.

There have been no significant changes in the nature of these activities during the financial year.

The principal activities of the subsidiaries are as disclosed in Note 12 to the financial statements.

The Bank is a licensed Islamic Bank under the Islamic Banking Act, 1983, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 28th Floor, Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur.

During the financial year, DRB-HICOM Berhad, acquired a 70% stake in the Bank from Bukhary Capital Sdn Bhd, and became the immediate holding company of the Bank. As a result, the new ultimate holding company is now Etika Strategi Sdn Bhd.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 March 2009.

2. BASIS OF PREPARATION

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements of the Group and of the Bank are prepared under the historical cost convention, unless otherwise indicated in the respective accounting policies.

(b) SUBSIDIARIES AND BASIS OF CONSOLIDATION

(i) SUBSIDIARIES

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) SUBSIDIARIES AND BASIS OF CONSOLIDATION (CONT'D)

(ii) BASIS OF CONSOLIDATION (CONT'D)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interest represents the portion of profit and loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of the changes in the subsidiaries' equity since then.

(c) GOODWILL

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(d) FINANCIAL INSTRUMENT

Financial instruments are recognised in the balance sheet when the Bank has become a party to the contractual provisions of the instrument. The accounting policies on recognition and measurement of these items are disclosed in their respective accounting policies.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Bank has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) FINANCIAL INSTRUMENT (CONT'D)

(i) CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statements, cash and cash equivalents includes cash and bank balances and short-term funds with remaining maturity of less than one month.

(ii) FINANCING OF CUSTOMERS

Financing are stated after deducting the allowance for possible losses.

(e) ALLOWANCES FOR IMPAIRED FINANCING

Specific allowances are made for impaired financing, which have been individually reviewed and specifically identified as substandard, doubtful or bad.

A general allowance based on a percentage of the financing portfolio is also made. These percentages are reviewed annually in light of past experiences and prevailing circumstances and an adjustment is made to the overall general allowances, if necessary.

Any uncollectible financing or portion of a financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the directors, there is no prospect of recovery.

Specific allowance provided for impaired financing had been made in full compliance with the BNM / GP3. Additional allowances for impaired financing are provided when the recoverable amount is lower than the net book value of financing (outstanding amount of financing, net of specific allowances) and long outstanding non-performing financing on the following basis:

- (i) assigning fifty percent (50%) of the force sale value of the properties held as collateral for non-performing financing which are outstanding for more than five (5) years but less than seven (7) years; and
- (ii) no value will be assigned for the collateral of non-performing financing which are outstanding for seven (7) years and above.

Any allowance made during the year is charged to the income statement.

Bank Negara Malaysia has granted indulgence to the Group and the Bank from complying with the requirement on the impairment of financing under BNM's Guidelines on Financial Reporting for Licensed Islamic Banks ('BNM/GP8-i') for the current and previous year.

The Bank has adopted a more stringent classification policy on non-performing financing, whereby financing are classified as non-performing and sub-standard when repayments are in arrears for more than three (3) months from the first day of defaults or after maturity date.

During the year, the Bank has also adopted a more stringent basis for specific allowances on non-performing financing by making 20% specific allowance on non-performing financing which are more than 3 months-in-arrears, 50% for non-performing financing in arrears of 6 months and 100% for non-performing financing in arrears of 9 months and above. Previously, specific allowances was only made at 20% when a non-performing financing was in arrears of 4 months, 50% for non-performing financing in arrears of 7 months and 100% for non-performing financing in arrears of 10 months and above.

The effect of changes in the basis of provisioning for specific allowance or non-performing financing is estimated at RM7.5 million additional provision.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) SECURITIES

The holding of securities of the Group and of the Bank is segregated based on the categories and valuation methods:

(i) SECURITIES HELD-FOR-TRADING

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statement.

(ii) SECURITIES AVAILABLE-FOR-SALE

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

(iii) SECURITIES HELD-TO-MATURITY

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group and the Bank have the positive intent and ability to hold to maturity. The securities held-to-maturity are measured at accreted / amortised cost based on effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of securities held-to-maturity is recognised in the income statement.

The estimated fair values for securities held-for-trading and securities available-for-sale are based on quoted and observable market prices at the balance sheet date. Where such quoted and observable market prices are not available, fair value is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the estimated future cash flows are discounted based on current market rates for similar instruments at the balance sheet date.

(g) EQUITY INSTRUMENTS

Ordinary shares are classified as equity. Dividend on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transactions are accounted for as a deduction from equity, net of tax. Equity transactions costs comprise only those incremental external costs directly attributable to the equity transactions which would otherwise have been avoided.

The considerations paid, including attributable transactions costs on repurchased ordinary shares of the Bank that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) DERIVATIVES

(a) FOREIGN EXCHANGE CONTRACT

Foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at balance sheet date and the resultant gains and losses are recognised in the income statement.

(b) PROFIT RATE AND FOREIGN CURRENCY SWAPS

All derivatives financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statement unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

(i) FAIR VALUE HEDGE

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) CASH FLOW HEDGE

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in a separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are released to the income statement in the periods when the hedged item affects the income statement.

(i) MUSYARAKAH TRADING AUTOMOBILES

Musharakah Trading Automobiles are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(j) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONT'D)**

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has unlimited useful life and therefore is not depreciated. Renovation work-in-progress are also not depreciated as these assets are not available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	3%
Long term leasehold land	3%
Office furniture and equipment	15%
Building improvements and renovations	20%
Motor vehicles	20%
Computer equipment	20% - 33.3%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(k) FOREIGN CURRENCIES**(i) FUNCTIONAL AND PRESENTATION CURRENCY**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Bank's functional currency.

(ii) FOREIGN CURRENCY TRANSACTIONS

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the year.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

(m) PROVISION FOR LIABILITIES

Provisions are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(n) LIABILITIES

Deposits from customers, deposits and placement of banks and financial institutions are stated at placement values. Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

(o) EMPLOYEE BENEFITS

(i) SHORT TERM BENEFITS

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) DEFINED CONTRIBUTION PLAN

Defined contribution plans are post-employment benefit plans under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(p) INCOME RECOGNITION

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the income can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) INCOME RECOGNITION (CONT'D)

(i) INCOME FROM FINANCING

Income from financing of customers is recognised based on the constant rate of return method. Income includes the amortisation of premium and accretion of discount. Income from securities is recognised on an effective yield basis.

Where a customer's financing account is classified as non-performing, income is suspended until it is realised on a cash basis. Financing income recognised prior to the non-performing classification is treated as uncollectible, thus an additional amount of specific allowance is made. Customers' accounts are classified as non-performing where repayments are in arrears for more than three months from the first day of default for financing; and three months from the first day of default for trade bills, bankers acceptances, trust receipts and other instruments of similar nature.

(ii) FEE AND OTHER INCOME RECOGNITION

Financing arrangement, management and participation fees, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Dividend income from securities is recognised when the Bank's right to receive payment is established.

(q) INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) ZAKAT

This represents business zakat. It is an obligatory amount payable by the Bank to comply with the principles of Shariah. Zakat provision is calculated based on 2.5% of the shareholders' funds growth method.

(s) PROFIT EQUALISATION RESERVE ("PER")

PER refers to the amount appropriated out of the total gross income in order to maintain a certain level of return to depositors in conformity with Bank Negara Malaysia's "The Framework of the Rate of Return". PER is reflected under other liabilities of the Bank.

The Bank did not maintain "PER" as the Bank had been utilising income from shareholders' fund to stabilise the rate of return to depositor.

(t) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) IMPAIRMENT OF NON-FINANCIAL ASSETS (CONT'D)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

3.2 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs

On 1 July 2007, the Group and the Bank adopted the following revised FRS, amendment to FRS and Interpretations:

FRS 107: Cash Flow Statements

FRS 111: Construction Contracts

FRS 112: Income Taxes

FRS 118: Revenue

FRS 120: Accounting for Government Grants and Disclosure of Government Assistance

FRS 134: Interim Financial Reporting

FRS 137: Provisions, Contingent Liabilities and Contingent Assets

Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities

IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments

IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment

IC Interpretation 7: Applying the Restatement Approach under FRS 129(2004) - Financial Reporting in Hyperinflationary Economies

IC Interpretation 8: Scope of FRS 2

The revised FRS, amendment to FRS and Interpretations above do not have any significant impact on the financial statements of the Group and the Bank.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following new FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Bank.

FRS, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
FRS 7: Financial Instruments: Disclosures	1 January 2010
FRS 8: Operating Segments	1 July 2009
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10: Interim Financial Reporting and Impairment	1 January 2010

3.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of the financial statements involved making certain estimates and assumptions concerning the future judgements. They affect the accounting policies applied, amounts of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in these estimates and assumptions by management may have an effect on the balances as reported in financial statements.

(a) FAIR VALUE ESTIMATION OF SECURITIES

As disclosed in Note 3.1(f), where the quoted and observable market prices of certain securities are not available, fair value is estimated using pricing models or discounted cash flow techniques. The usage of these models and techniques requires the Group to make certain estimates and assumptions, including but not limited to estimated future cash flows and discount rates.

(b) INCOME TAXES

Deferred tax assets are measured and recognised based on the tax rates that are expected to apply in the period when the asset is realised. Estimates are made as to the amount of taxable profits in these periods which will enable the deferred tax assets to be realised.

(c) ALLOWANCES FOR LOSSES ON ADVANCES AND FINANCING

As stated in Note 3.1(e), specific allowances are made for doubtful debts which have been individually reviewed and specifically identified as substandard, bad or doubtful. The individual assessment of financing may include making estimates and judgements about the counterparty's financial position, fair value of the underlying collaterals and future recoverable cash flows in workout / restructuring arrangements.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

4. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	166,729	247,056	166,729	246,736
Money at call and interbank placements with remaining maturity not exceeding one month	4,900,553	4,219,159	4,900,553	4,219,159
	5,067,282	4,466,215	5,067,282	4,465,895

5. SECURITIES

	Group and Bank	
	2008	2007
	RM'000	RM'000
(a) HELD-TO-MATURITY		
AT AMORTISED COST:		
Corporate bonds	32,952	32,952
Accumulated impairment loss	(2,061)	(2,061)
Total held-to-maturity securities	30,891	30,891

	Group and Bank	
	2008	2007
	RM'000	RM'000
(b) AVAILABLE-FOR-SALE		
AT FAIR VALUE:		
Quoted securities:		
Malaysian Government Investment Certificate	520,096	351,254
Cagamas bonds	35,407	35,402
Khazanah bonds	179,220	350,427
Islamic private debt securities	1,936,981	2,263,993
Sukuk	189,215	213,560
Negotiable instrument of deposit certificates	5,992	84,134
	2,866,911	3,298,770
Unquoted securities:		
Shares	4,105	3,580
Total available-for-sale securities	2,871,016	3,302,350

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

6. FINANCING OF CUSTOMERS

(i) BY TYPE

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Cash line	485,585	470,707	485,585	470,707
Term financing				
Home financing	3,949,605	3,714,761	3,949,605	3,714,761
Syndicated financing	202,796	149,536	202,796	149,536
Hire purchase receivables	1,575,765	1,708,600	1,575,765	1,708,600
Leasing receivables	144,320	145,378	144,320	145,378
Other term financing	2,281,061	1,504,361	2,296,444	1,504,361
Trust receipts	170,376	175,834	170,376	175,834
Claims on customers under acceptance credits	860,165	734,316	860,165	734,316
Staff financing	99,337	97,895	99,337	97,895
Revolving credit	470,177	612,934	470,177	612,934
	10,239,187	9,314,322	10,254,570	9,314,322
Less: Unearned income	(3,447,639)	(3,064,364)	(3,447,639)	(3,064,364)
	6,791,548	6,249,958	6,806,931	6,249,958
Less: Financing sold to Cagamas	(363,801)	(379,373)	(363,801)	(379,373)
	6,427,747	5,870,585	6,443,130	5,870,585
Less: Allowance for bad and doubtful financing:				
- General	(97,330)	(90,832)	(97,561)	(90,832)
- Specific	(302,901)	(194,506)	(302,901)	(194,506)
Total net financing, advances and other financing	6,027,516	5,585,247	6,042,668	5,585,247

(ii) BY CONTRACT

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil (deferred payment sale)	2,073,124	1,903,291	2,073,124	1,903,291
Ijarah (lease)	85,068	80,125	85,068	80,125
Ijarah Thumma Al-Bai (lease ended with purchase)	1,324,933	1,399,032	1,324,933	1,399,032
Inah (sale and buyback)	746,957	689,272	746,957	689,272
Tawarruq (commodity murabahah)	339,579	-	339,579	-
Bai Al Dayn (purchase of debt)	849,766	731,411	849,766	731,411
Murabahah (cost-plus)	599,383	545,745	599,383	545,745
Istisna' (sale order)	396,829	508,219	396,829	508,219
Qard Hasan (benevolent loan)	7,608	13,490	27,491	13,490
Shirkah Mutanaqisah (diminishing partnership)	4,500	-	-	-
	6,427,747	5,870,585	6,443,130	5,870,585

6. FINANCING OF CUSTOMERS (CONT'D)**(iii) BY TYPE OF CUSTOMER**

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Domestic non-banking institutions	39,410	42,300	39,410	42,300
Domestic business enterprises				
- Small business enterprises	1,046,871	923,564	1,046,871	923,564
- Others	1,983,113	1,707,842	1,993,996	1,707,842
Government and statutory bodies	76,750	57,877	81,250	57,877
Individuals	3,156,955	3,053,412	3,156,955	3,053,412
Other domestic entities	6,858	2,750	6,858	2,750
Foreign entities	117,790	82,840	117,790	82,840
	6,427,747	5,870,585	6,443,130	5,870,585

(iv) BY PROFIT RATE SENSITIVITY

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Home financing	775,007	868,032	775,007	868,032
Hire purchase receivables	1,306,552	1,399,305	1,306,552	1,399,305
Others	3,044,317	2,928,270	3,064,200	2,928,270
Variable rate:				
Home financing	665,616	478,679	665,616	478,679
Others	636,255	196,299	631,755	196,299
	6,427,747	5,870,585	6,443,130	5,870,585

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

6. FINANCING OF CUSTOMERS (CONT'D)

(v) BY SECTOR

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Agriculture	80,298	79,868	80,298	79,868
Mining and quarrying	176	467	176	467
Manufacturing	854,314	813,055	854,314	813,055
Electricity, gas and water	48,621	21,470	48,621	21,470
Construction	1,014,003	982,282	1,014,003	982,282
Purchase of landed property:				
- Residential	1,440,624	1,346,710	1,440,624	1,346,710
- Non-residential	296,159	289,235	296,159	289,235
Wholesale, retail and restaurant	367,155	334,253	382,300	334,252
Transport, storage and communication	147,182	147,797	147,420	147,797
Finance, insurance and business services	191,974	159,645	191,974	159,645
Purchase of securities	1,427	4,714	1,427	4,714
Purchase of transport vehicles	1,306,613	1,399,305	1,306,613	1,399,305
Consumption credit	486,493	162,052	486,493	162,052
Community, social and personal service	192,708	129,732	192,708	129,733
	6,427,747	5,870,585	6,443,130	5,870,585

7. NON-PERFORMING FINANCING

	Group and Bank	
	2008	2007
	RM'000	RM'000
(i) MOVEMENTS IN THE NON-PERFORMING FINANCING, ADVANCES AND OTHER FINANCING		
As at 1 January	506,202	354,492
Classified as non-performing during the year	589,155	609,604
Reclassified as performing during the year	(329,006)	(330,416)
Recovered during the year	(121,574)	(70,574)
Written off during the year	(52,609)	(56,904)
As at 31 December	592,168	506,202
Less: Specific allowance	(302,901)	(194,506)
Net non-performing financing*	289,267	311,696
Ratio of net non-performing financing to total net financing	4.4%	5.1%

* Total net financing is inclusive of amount sold to Cagamas

7. NON-PERFORMING FINANCING (CONT'D)

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
(ii) MOVEMENTS IN THE ALLOWANCE FOR BAD AND DOUBTFUL FINANCING				
GENERAL ALLOWANCE				
As at 1 January	90,832	81,453	90,832	81,453
Allowance made during the year	6,498	9,379	6,729	9,379
As at 31 December	97,330	90,832	97,561	90,832
As % of total gross financing, advances and other loans less specific allowance	1.5%	1.5%	1.5%	1.5%
SPECIFIC ALLOWANCE				
As at 1 January	194,506	143,719	194,506	143,719
Allowance made during the year	232,103	158,078	232,103	158,078
Amount recovered	(71,099)	(50,387)	(71,099)	(50,387)
Amount written off	(52,609)	(56,904)	(52,609)	(56,904)
As at 31 December	302,901	194,506	302,901	194,506

(iii) NON-PERFORMING FINANCING BY SECTOR

	Group and Bank	
	2008	2007
	RM'000	RM'000
Agriculture	270	217
Manufacturing	103,170	69,676
Electricity, gas and water	41	41
Construction	107,913	53,572
Purchase of landed property:		
- Residential	223,355	243,679
- Non-residential	34,762	48,106
Wholesale and retail and restaurant	16,196	10,175
Transport, storage and communication	1,401	1,343
Finance, insurance and business services	4,274	1,761
Purchase of securities	1,291	1,735
Purchase of transport vehicles	74,176	49,525
Consumption credit	24,426	25,842
Community, social and personal service	893	530
	592,168	506,202

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

8. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined at set percentages of total eligible liabilities.

9. OTHER ASSETS

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Deposits	2,705	2,366	2,550	2,366
Prepayments	5,365	6,097	5,305	6,097
Income receivables	32,347	36,704	32,102	36,704
Tax recoverable	3,764	2,733	3,726	2,733
Musharakah trading automobiles*	6,446	-	-	-
Other debtors	19,875	17,985	21,114	18,239
	70,502	65,885	64,797	66,139

* This relate to automobiles purchased by Muamalat Ventures Sdn. Bhd. ("MVSB"), a subsidiary and its Musharakah partners for trading. The sale is carried out by the Musharakah partner who will share any gain or losses from the actual sales made at an agreed ratio.

The rates of sharing of profit and losses are determined with reference to actual sales price and time required to sell the automobiles purchased. Ownership remains with MVSB until the vehicles are sold and MVSB has the right of ownership for unsold vehicles.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

10. PROPERTY, PLANT AND EQUIPMENT GROUP

	Freehold land and building	Office building	Furniture, fixtures, fittings, motor vehicle and equipment	Capital work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2008					
Cost					
At 1 January 2008	2,958	14,092	128,333	1,896	147,279
Additions	-	-	9,775	1,936	11,711
Disposals	-	-	(17)	-	(17)
Reclassification	-	-	1,824	(1,824)	-
At 31 December 2008	2,958	14,092	139,915	2,008	158,973
Accumulated Depreciation					
At 1 January 2008	674	2,910	99,165	-	102,749
Charge for the year	74	353	11,985	-	12,412
Disposals	-	-	(10)	-	(10)
At 31 December 2008	748	3,263	111,140	-	115,151
Carrying Amount at 31 December 2008	2,210	10,829	28,775	2,008	43,822
At 31 December 2007					
Cost					
At 1 January 2007	2,958	14,092	119,457	1,289	137,796
Additions	-	-	7,153	2,431	9,584
Disposals	-	-	(101)	-	(101)
Reclassification	-	-	1,824	(1,824)	-
At 31 December 2007	2,958	14,092	128,333	1,896	147,279
Accumulated Depreciation					
At 1 January 2007	571	2,557	86,703	-	89,831
Charge for the year	103	353	12,560	-	13,016
Disposals	-	-	(98)	-	(98)
At 31 December 2007	674	2,910	99,165	-	102,749
Carrying Amount at 31 December 2007	2,284	11,182	29,168	1,896	44,530

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

BANK

	Freehold land and building	Office building	Furniture, fixtures, motor vehicle and equipment	Capital work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2008					
Cost					
At 1 January 2008	2,958	14,092	128,169	1,897	147,116
Additions	-	-	9,746	1,936	11,682
Disposals	-	-	(17)	-	(17)
Reclassification	-	-	1,824	(1,824)	-
At 31 December 2008	2,958	14,092	139,722	2,009	158,781
Accumulated Depreciation					
At 1 January 2008	674	2,910	99,105	-	102,689
Charge for the year	74	353	11,951	-	12,378
Disposals	-	-	(10)	-	(10)
At 31 December 2008	748	3,263	111,046	-	115,057
Carrying Amount at 31 December 2008	2,210	10,829	28,676	2,009	43,724
At 31 December 2007					
Cost					
At 1 January 2007	2,958	14,092	119,310	1,289	137,649
Additions	-	-	7,136	2,432	9,568
Disposals	-	-	(101)	-	(101)
Reclassification	-	-	1,824	(1,824)	-
At 31 December 2007	2,958	14,092	128,169	1,897	147,116
Accumulated Depreciation					
At 1 January 2007	571	2,557	86,674	-	89,802
Charge for the year	103	353	12,529	-	12,985
Disposals	-	-	(98)	-	(98)
At 31 December 2007	674	2,910	99,105	-	102,689
Carrying Amount at 31 December 2007	2,284	11,182	29,064	1,897	44,427

Transfer of the title deed for office building with a net book value of RM838,988 (2007:RM867,502) is pending approval from the relevant authorities.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

11. PREPAID LAND LEASE PAYMENTS

	Group and Bank	
	2008	2007
	RM'000	RM'000
At 1 January	269	273
Amortisation	(4)	(4)
At 31 December	265	269
Analysed as:		
Long term leasehold land	265	269
	265	269

12. INVESTMENT IN SUBSIDIARIES

	Group and Bank	
	2008	2007
	RM'000	RM'000
Unquoted shares at cost		
- in Malaysia	10,723	10,723
Less: Impairment loss	(3,048)	-
	7,675	10,723

Details of the subsidiary companies are as follows:

Name	Principal activities	Country of	Percentage of equity held		Paid up capital
			2008	2007	31/12/2008
			%	%	
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	Malaysia	100	100	2
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	Malaysia	100	100	2
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	Malaysia	100	100	2
Muamalat Invest Sdn. Bhd.	Provision of Fund Management Services	Malaysia	100	100	10,000,000

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

13. DEFERRED TAX ASSETS (NET)

	Group and Bank	
	2008	2007
	RM'000	RM'000
At 1 January	23,013	16,669
Recognised in the income statement (Note 33)	894	1,549
Recognised in the equity	11,673	4,795
At 31 December	35,580	23,013

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group and Bank	
	2008	2007
	RM'000	RM'000
Deferred tax assets	38,260	27,831
Deferred tax liabilities	(2,680)	(4,818)
At 31 December	35,580	23,013

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

DEFERRED TAX ASSETS OF THE GROUP AND THE BANK:

	General allowance for bad and doubtful financing	Provision for liabilities	Other temporary differences	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2008	24,313	2,270	1,248	27,831
Recognised in income statements	976	(322)	(1,898)	(1,244)
Recognised in the equity	-	-	11,673	11,673
At 31 December 2008	25,289	1,948	11,023	38,260
At 1 January 2007	22,805	2,378	157	25,340
Recognised in income statements	1,508	(108)	(157)	1,243
Recognised in the equity	-	-	1,248	1,248
At 31 December 2007	24,313	2,270	1,248	27,831

13. DEFERRED TAX ASSETS (NET) (CONT'D)**DEFERRED TAX LIABILITIES OF THE GROUP AND THE BANK:**

	Property, plant and equipment	Other temporary differences	Total
	RM'000	RM'000	RM'000
At 1 January 2008	(4,818)	-	(4,818)
Recognised in the income statement	2,138	-	2,138
At 31 December 2008	(2,680)	-	(2,680)
At 1 January 2007	(4,834)	(3,837)	(8,671)
Recognised in the income statement	16	290	306
Recognised in the equity	-	3,547	3,547
At 31 December 2007	(4,818)	-	(4,818)

14. GOODWILL

	Group and Bank	
	2008	2007
	RM'000	RM'000
At beginning of year	1,219	227
Arising on acquisition of remaining 40% equity interest in MISB	-	992
Impairment recognised during the year	(1,219)	-
At 31 December	-	1,219

15. DEPOSITS FROM CUSTOMERS**(i) BY TYPE OF DEPOSITS**

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
NON-MUDHARABAH FUND				
Demand deposits	3,158,782	3,431,110	3,169,010	3,431,110
Savings deposits	605,916	531,678	605,916	531,678
Negotiable Islamic debt certificate	1,091,790	2,101,518	1,091,790	2,101,518
Others	23,139	21,478	23,139	28,857
	4,879,627	6,085,784	4,889,855	6,093,163

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

15. DEPOSITS FROM CUSTOMERS (CONT'D)

(i) BY TYPE OF DEPOSITS (CONT'D)

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
MUDHARABAH FUND				
General investment deposits	6,837,915	4,893,023	6,844,415	4,893,023
Special general investment deposits	730,428	1,194,061	730,428	1,194,061
	7,568,343	6,087,084	7,574,843	6,087,084
	12,447,970	12,172,868	12,464,698	12,180,247

(ii) BY TYPE OF CUSTOMER

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	3,461,846	3,890,880	3,461,846	3,890,880
Business enterprises	5,850,851	5,740,568	5,867,579	5,747,947
Individuals	945,966	886,771	945,966	886,771
Others	2,183,307	1,654,649	2,189,307	1,654,649
	12,447,970	12,172,868	12,464,698	12,180,247

16. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2008	2007
	RM'000	RM'000
NON-MUDHARABAH		
Bank Negara Malaysia	13,959	7,076
Licensed banks	34,723	33,151
Licensed Islamic banks	200,000	130,318
Others financial institutions	1,743	57,469
	250,425	228,014

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

17. OTHER LIABILITIES

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Sundry creditors	16,734	9,234	16,703	9,170
Income payable to depositors	39,427	42,212	39,427	42,212
Provision for commitments and contingencies [Note (a)]	7,494	8,494	7,494	8,494
Accrual for bonus	6,116	8,321	6,116	8,321
Others	26,112	7,246	26,035	7,238
	95,883	75,507	95,775	75,435

(a) Movement in provision for commitments and contingencies

	Group and Bank	
	2008	2007
	RM'000	RM'000
At 1 January	8,494	8,494
Write back during the year	(1,000)	-
At 31 December	7,494	8,494

The provision relates to bank guarantees issued by the Group and the Bank that have a high likelihood to result in claims from the beneficiaries.

18. PROVISION FOR ZAKAT AND TAXATION

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Zakat	215	430	215	430
Taxation	-	-	-	-
	215	430	215	430

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

19. SHARE CAPITAL

	Number of shares of RM1 each		Amount	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Authorised:				
Ordinary shares of RM1 each	3,000,000	3,000,000	3,000,000	3,000,000
Musharakah Irredeemable Non-Cumulative Convertible Preference Shares of RM1 each	1,000,000	1,000,000	1,000,000	1,000,000
Total	4,000,000	4,000,000	4,000,000	4,000,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 January	250,000	250,000	250,000	250,000
Converted during the year	147,275	-	147,275	-
At 31 December	397,275	250,000	397,275	250,000
Musharakah Irredeemable Non-Cumulative Convertible Preference Shares of RM1 each				
At 1 January	250,000	250,000	250,000	250,000
Converted during the year	(147,275)	-	(147,275)	-
At 31 December	102,725	250,000	102,725	250,000
Total	500,000	500,000	500,000	500,000

ISSUE OF SHARES

During financial year, the Bank increased its issued and paid up ordinary share capital from RM250,000,000 to RM397,275,000 by converting 147,275,000 Musharakah Irredeemable Non Cumulative Convertible Preference shares of RM1 each to 147,275,000 ordinary shares of RM1 each. The new ordinary shares issued during the year ranked pari passu in all respects with the ordinary shares of the Bank.

The terms of the MINCCPS are as follows:

- The dividends rate for the MINCCPS will be decided by the Board of Directors upon management recommendation based on the proceeding year's profit after tax the annual results have been presented.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

19. SHARE CAPITAL (CONT'D)

ISSUE OF SHARES (CONT'D)

- (b) The MINCCPS holders have the same rights as ordinary shareholders with regards to receiving notices, reports and audited financial statements and attending general meetings of the Bank. The MINCCPS holders however is not entitled to vote except in the following circumstances:
 - (i) on a proposal to reduce the Bank's share capital;
 - (ii) on a proposal for the disposal of the whole of the Bank's property, business and undertaking;
 - (iii) on a proposal that affects rights attached to the MINCCPS;
 - (iv) on a proposal to wind up the Bank; and
 - (v) during the winding up of the Bank.
- (c) The MINCCPS have a three year maturity date and are convertible into ordinary shares of the Bank at the conversion ratio of 1 : 1 without premium.
- (d) The MINCCPS are transferable and assignable subject to the regulatory and the Board of Directors' approvals.

The shareholding of the Bank held by DRB-HICOM Berhad and Khazanah Nasional Berhad remain at 70% and 30% respectively.

20. SUBORDINATED BONDS

On 5 September 2006, the Bank issued RM250 million Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 10 non-callable 5 basis feature, with a profit rate of 6.25% per annum payable semi-annually. Under the 10 non-callable 5 basic feature, the Bank has the option to redeem the Bonds on the 5th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the bonds, the holders of the Bonds will be entitled to an annual incremental step-up profit rate from the beginning of the 6th year to the final maturity date.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

21. RESERVES

	Note	Group		Bank	
		2008	2007	2008	2007
		RM'000	RM'000	RM'000	RM'000
Statutory reserve	(a)	156,688	140,713	155,833	140,684
Retained profit	(b)	117,112	101,136	118,447	103,301
Net unrealised losses available-for-sale securities		(71,564)	(4,518)	(71,640)	(4,626)
		202,236	237,331	202,640	239,359

(a) STATUTORY RESERVE

The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act 1983 and are not distributable as cash dividends.

(b) RETAINED PROFIT

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system").

However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Bank did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the 108 balance as at 31 December 2008 and 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007.

As at 31 December 2008 and 2007, the Bank has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

22. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	433,469	329,403	433,469	329,403
(ii) Other deposits	284,864	349,107	285,709	349,597
	718,333	678,510	719,178	679,000

22. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D)**(i) INCOME DERIVED FROM INVESTMENT OF GENERAL INVESTMENT DEPOSITS**

	Group and Bank	
	2008	2007
	RM'000	RM'000
FINANCE INCOME AND HIBAH		
Income from financing	260,235	176,069
Held-for-trading securities	15	3
Held-for-maturity securities	171	317
Available-for-sale securities	62,385	42,904
Money at call and deposit with financial institutions	83,132	72,920
	405,938	292,213
Amortisation of premium less accretion of discounts	7,952	8,160
Total finance income and hibah	413,890	300,373
OTHER OPERATING INCOME		
	2008	2007
	RM'000	RM'000
Net gain from sale of available-for-sale securities	1,180	719
Net gain from sale of held-for-trading securities	933	12,865
	2,113	13,584
FEES AND COMMISSION		
Guarantee fees	5,790	7,141
Processing fees	10,762	7,763
Commission	914	542
	17,466	15,446
TOTAL	433,469	329,403

Notes to the Financial Statements

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22. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D)

(ii) INCOME DERIVED FROM INVESTMENT OF OTHER DEPOSITS

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
FINANCE INCOME AND HIBAH				
Income from financing	171,019	186,600	171,864	187,090
Held-for-trading securities	10	3	10	3
Held-for-maturity securities	113	336	113	336
Available-for-sale securities	40,998	45,471	40,998	45,471
Money at call and deposit with financial institutions	54,632	77,282	54,632	77,282
	266,772	309,692	267,617	310,182
Amortisation of premium less accretion of discounts	5,225	8,648	5,225	8,648
Total finance income and hibah	271,997	318,340	272,842	318,830
OTHER OPERATING INCOME				
Net gain from sale of available-for-sale securities	775	762	775	762
Net gain from sale of held-for-trading securities	613	13,635	613	13,635
	1,388	14,397	1,388	14,397
FEES AND COMMISSION				
Guarantee fees	3,805	7,569	3,805	7,569
Processing fees	7,073	8,227	7,073	8,227
Commission	601	574	601	574
	11,479	16,370	11,479	16,370
TOTAL	284,864	349,107	285,709	349,597

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31 December 2008 (3 Muharram 1430)

23. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
FINANCE INCOME AND HIBAH				
Available-for-sale securities	43,407	47,037	43,407	47,037
Money at call and deposit with financial institutions	-	360	-	360
	43,407	47,397	43,407	47,397
Amortisation of premium less accretion of discounts	(924)	(1,549)	(924)	(1,549)
Total finance income and hibah	42,483	45,848	42,483	45,848
OTHER OPERATING INCOME				
Net gain from foreign exchange transaction	14,015	11,966	14,015	11,966
Net gain from sale of available-for-sale securities	37	11,223	37	11,223
	14,052	23,189	14,052	23,189
FEES AND COMMISSION				
Processing fees	1,091	2,109	1,091	2,109
Corporate advisory fees	3,791	3,838	3,791	3,838
Service charges and fees	668	671	668	671
Commission	2,128	2,084	2,128	2,084
Others	1,296	897	108	507
	8,974	9,599	7,786	9,209
OTHER INCOME				
Rental income	6,833	6,474	6,833	6,474
(Loss) / Gains on disposal of property, plant and equipment	(4)	30	(4)	30
	6,829	6,504	6,829	6,504
TOTAL	72,338	85,140	71,150	84,750

Notes to the Financial Statements

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24. ALLOWANCE FOR LOSSES ON FINANCING

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Allowance for bad and doubtful financing:				
(a) Specific allowance				
- Provided in the financial year	232,103	158,078	232,103	158,078
- Written back during the year	(71,099)	(50,387)	(71,099)	(50,387)
	161,004	107,691	161,004	107,691
(b) General allowance				
- Provided in the financial year	6,498	9,379	6,729	9,379
Bad debts on financing:				
- Written off	1,062	677	1,062	677
- Recovered	(2,427)	(699)	(2,427)	(699)
	166,137	117,048	166,368	117,048

25. IMPAIRMENT LOSS

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Impairment loss for defaulted corporate bonds included under securities available-for-sale	20,520	34,649	20,520	34,649
Impairment loss for investment in subsidiary	-	-	3,048	-
Impairment loss for Goodwill	1,219	-	-	-
	21,739	34,649	23,568	34,649

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31 December 2008 (3 Muharram 1430)

26. INCOME ATTRIBUTABLE TO DEPOSITORS

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah funds	221,304	240,418	221,476	240,418
- Non-Mudharabah funds	9,421	8,137	9,421	8,337
Deposits and placements of banks and other financial institutions				
- Mudharabah funds	1,747	1,045	1,747	1,045
- Non-Mudharabah funds	86,379	75,942	86,379	75,942
	318,851	325,542	319,023	325,742

27. PERSONNEL EXPENSES

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	67,814	58,080	67,477	57,356
Contributions to defined contribution plan	13,333	10,888	13,286	10,799
Social security contributions	733	655	731	650
Allowances and bonuses	8,779	11,801	8,744	11,776
Mutual Separation Scheme	515	1,611	515	1,611
Others	9,092	8,445	9,078	8,405
	100,266	91,480	99,831	90,597

Included in personnel expenses of the Group and of the Bank are executive director's remuneration amounting to RM429,000 (2007: RM567,000) as further disclosed in Note 28 and payment for Mutual Separation Scheme of RM515,000 for 4 staff.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

28. CEO, DIRECTORS AND SHARIAH COMMITTEE REMUNERATION

	Group and Bank	
	2008	2007
	RM'000	RM'000
EXECUTIVE DIRECTOR / CHIEF EXECUTIVE OFFICER		
Salaries and wages	340	480
Contributions to defined contribution plan	61	86
Others	28	1
	429	567
NON-EXECUTIVE DIRECTORS		
Fees	158	150
Other remunerations	743	677
	901	827
Shariah Committee Members	130	140
	1,460	1,534

The number of directors of the Bank whose total remuneration during the financial year fell within the following bands is analysed below:

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
EXECUTIVE DIRECTOR / CHIEF EXECUTIVE OFFICER				
RM550,001 - RM600,000	-	1	-	1
RM250,001 - RM300,000	1	-	1	-
RM150,001 - RM250,000	1	-	1	-
NON-EXECUTIVE DIRECTORS				
RM400,001 - RM450,000	-	1	-	1
RM200,001 - RM250,000	1	-	1	-
RM100,001 - RM150,000	4	-	4	-
RM50,001 - RM100,000	2	5	2	5
RM50,000 and below	3	2	1	-

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

29. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members of key management during the year was as follows:

	Group and Bank	
	2008	2007
	RM'000	RM'000
Short-term employees benefits	5,870	1,820

Included in the total key management personnel are:

	Group and Bank	
	2008	2007
	RM'000	RM'000
Director's remuneration (Note 28)	429	567

30. OTHER OVERHEADS AND EXPENDITURES

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
PROMOTION				
Advertisement and publicity	4,466	4,422	4,466	4,422
ESTABLISHMENT				
Rental	7,250	6,946	7,250	6,946
Depreciation	12,412	13,016	12,378	12,985
EDP expenses	30,570	30,287	30,570	30,287
Amortisation of land and prepaid lease payment	4	4	4	4
Hire of equipment	4,551	3,142	4,551	3,142

Notes to the Financial Statements

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30. OTHER OVERHEADS AND EXPENDITURES (CONT'D)

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
GENERAL EXPENSES				
Auditors' fees				
- statutory audit	146	190	136	178
- non-audit work	102	160	102	160
Professional fees	5,006	1,636	4,984	1,583
Legal expenses	1,205	729	1,169	702
Repair and maintenance	4,467	3,460	4,467	3,460
Insurance	7,378	3,987	7,378	3,987
Utilities expenses	3,644	3,373	3,644	3,373
Security guard expenses	4,074	5,047	4,074	5,047
Telephone	1,886	2,085	1,886	2,085
Stationary and printing	2,499	2,417	2,499	2,417
Postage and courier	1,722	1,269	1,722	1,269
Travelling	2,926	3,226	2,926	3,226
Directors remuneration and Shariah Committee allowance	1,452	1,534	1,452	1,534
Others	8,499	7,221	8,144	6,823
	104,259	94,151	103,802	93,630

31. FINANCE COST

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Subordinated bonds	15,625	15,545	15,625	15,545

32. ZAKAT

	Group and Bank	
	2008	2007
	RM'000	RM'000
Provision for zakat based on result for the year:		
- Current	215	430
- Over provision in prior years	-	(223)
	215	207

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

33. TAXATION

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Current income tax	12,796	20,280	12,769	20,280
Over provision in prior years	-	(2,838)	-	(2,838)
	12,796	17,442	12,769	17,442
Deferred tax:				
Relating to origination and reversal of temporary differences	(2,498)	(1,942)	(2,498)	(1,942)
Relating to reduction in Malaysia income tax rate	1,902	-	1,902	-
(Over) / under provision in prior years	(298)	393	(298)	393
	(894)	(1,549)	(894)	(1,549)
	11,902	15,893	11,875	15,893

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 25% from the current year's rate of 26% with effect from year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	44,068	64,238	42,385	65,542
Taxation at Malaysian statutory tax rate 26% (2007: 27%)	11,458	17,344	11,020	17,696
Effect of different tax rates in other tax jurisdiction	(1,301)	(423)	(1,301)	(423)
Effect on opening deferred tax of reduction in Malaysian income tax	1,902	893	1,902	893
Income not subject to tax	(1,341)	(1,142)	(549)	(1,142)
Expenses not deductible for tax purposes	1,564	1,666	1,183	1,314
Over provision of income tax in prior years	-	(2,838)	-	(2,838)
Utilisation of subsidiary tax loss	(82)	-	(82)	-
(Over) / under provision of deferred tax in prior years	(298)	393	(298)	393
Income tax expense for the year	11,902	15,893	11,875	15,893

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

33. TAXATION (CONT'D)

Deferred tax assets have not been recognised in respect of the following items:

	Group and Bank	
	2008	2007
	RM'000	RM'000
Unused tax losses	2,508,051	1,914,731
Unabsorbed capital allowances	73,816	46,661
	2,582,051	1,961,392

The unused tax losses of the Group amounting to RM2,508,051 (2007: RM1,914,731) are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

34. EARNINGS PER SHARE

(a) BASIC

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Group and of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the Group and of the Bank (RM'000)	31,951	48,138	30,295	49,442
Weighted average number of ordinary shares in issue ('000)	397,275	250,000	397,275	250,000
Basic earnings per share (sen)	8.0	19.3	7.6	19.8

(b) DILUTED

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Group and of the Bank and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. Musharakah Irredeemable Non-Cumulative Convertible Preference Shares ("MINCCPS").

34. EARNINGS PER SHARE (CONT'D)**(b) DILUTED (CONT'D)**

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the Group and of the Bank (RM'000)	31,951	48,138	30,295	49,442
Weighted average number of ordinary shares in issue ('000)	397,275	250,000	397,275	250,000
Effect of dilution of MINCCPS ('000)	102,725	250,000	102,725	250,000
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	500,000	500,000	500,000	500,000
Diluted earnings per share (sen)	6.4	9.6	6.1	9.9

35. RELATED PARTY TRANSACTIONS

The Bank's significant transactions and balances with related parties are as follows:

	Group and Bank	
	2008	2007
	RM'000	RM'000
Related companies*		
Income	210	-
- profit on financing		
Expenditure	5	-
- Hibah on deposit		
Amounts due from	27,898	-
- financing		
Other Related companies**		
Income	221,891	-
- profit on financing		
Expenditure	40	437
- Hibah on deposit		
Amounts due to	11,209	-
- deposits		
Amounts due from	582,125	599,790
- financing		

* Related companies are companies within the DRB-HICOM Berhad group.

** Other related companies are companies related to substantial shareholder of DRB-HICOM Berhad group (2008: a substantial shareholder of Bukhary Capital Sdn. Bhd.)

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36. COMMITMENTS AND CONTINGENCIES

- (i) In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Risk weighted exposures of the Bank as at 31 December 2008 are as follows:

GROUP AND BANK

	2008			2007		
	Principal Amount	Credit Equivalent Amount	Total Risk Weighted Amount	Principal Amount	Credit Equivalent Amount	Total Risk Weighted Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The commitments and contingencies constitute the following:						
Direct credit substitutes	6,964	6,964	6,964	206,274	206,274	206,274
Trade-related contingencies	104,404	20,881	15,801	249,090	49,818	49,818
Transaction related contingencies	1,859,658	929,829	394,368	1,514,467	757,234	194,206
Obligations under an on-going underwriting agreement	63,000	31,500	6,300	-	-	-
Housing financing sold directly and indirectly to Cagamas with recourse	363,801	363,801	72,760	379,373	379,373	75,874
Credit extension commitment:						
- Maturity within one year	776,803	155,361	145,161	923,152	184,630	184,630
- Maturity exceeding one year	1,423,706	711,853	550,474	203,406	101,703	101,703
Foreign exchange related contracts	1,348,094	44,496	32,777	1,114,800	16,792	8,396
Interest rate related contracts	100,000	2,000	400	100,000	2,000	400
Other Commitments	86,067	-	-	-	-	-
	6,132,497	2,266,685	1,225,005	4,690,562	1,697,824	821,301

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Bank's risk management strategy seeks to ensure that risks undertaken are well managed within the boundaries of its risk appetite. With the approval by the Board, the Bank is in the process of putting in place an integrated risk management capability that would enable the Bank to achieve a single view of risks across its various business operations and to gain strategic competitive advantage from its management capabilities. This is in line with the BASEL II recommendation.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

MARKET RISK

Market risk is the potential loss arising from adverse movements in market variables such as rate of return, foreign exchange rate, equity prices and commodity prices.

CREDIT RISK

Credit risk arises from the possibility that a customer or counterparty may be unable to meet its financial obligations to the Bank, either from a facility granted or a contract in which the Bank has a gain position.

LIQUIDITY RISK

Liquidity risk refers to the inability for the Bank to meet its funding requirements arising from cash flow mismatches and its inability to liquidate position quickly and in sufficient volumes.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Bank manages risks strategically through the following risk committees.

BOARD RISK MANAGEMENT COMMITTEE (“BRMC”)

BRMC is primarily responsible for effective functioning of the integrated risk management function within the Bank. As a committee of the Board, it acts with the delegated authority to decide or make recommendations to the Board of Directors on risk management issues. Its members comprise two independent non-executive directors and two non-independent non-executive directors, of which one of the independent non-executive director act as the committee chairman.

The key functions of the BRMC includes to review and recommend risk management strategies to the Board; to review and approve risk management policies; to oversee the overall management of all risks covering market risk, asset and liability management, credit risk and operational risk; to approve risk methodologies for measuring and managing risks and to approve contingency plan for dealing with various extreme internal/external events and disasters.

EXECUTIVE RISK MANAGEMENT COMMITTEE (“ERMC”)

The Board and BRMC have the overall responsibility for establishing the risk strategies and the policies of the Bank. Execution of these strategies and policies is the responsibilities of the ERMC. The committee consists of senior members of the management and the Chief Risk Officer. The committee focuses on the overall business strategies and daily business operations of the Bank in respect of risk management.

Among the responsibilities of ERMC are overall responsibility for management of risks from a day-to-day business and operational perspective; to execute risk management strategies and policies as set by the Board and BRMC and ensure compliance thereof; to review risk management policies, controls and systems; to cultivate a proactive risk management culture within the Bank; to provide advice to the BRMC and Risk Management Department on impact of risk measures on business strategies.

38. PROFIT RATE RISK

The Bank is exposed to the risk associated with the effects of fluctuations in the prevailing levels of profit rate on the financial position and cash flows of its portfolio. The fluctuations in profit rate can be influenced by changes in interest rates that affect the value of financial instruments under its portfolio. Profit rate risk is monitored and managed by the Risk Management Department to protect the income from operations.

The table below summarises the Bank’s exposure to profit rate risk for its operations. The table indicates effective profit rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

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38. PROFIT RATE RISK (CONT'D)

GROUP 2008	<===== Non-trading book =====>						Effective profit rate %
	Up to 6 months	> 6 - 12 months	>1 - 5 years	Over 5 years	Non-profit rate sensitive	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets							
Cash and short-term funds	4,900,553	-	-	-	166,729	5,067,282	3.5
Securities							
- Held-to-maturity	-	2,545	28,346	-	-	30,891	1.0
- Available-for-sale	228,945	138,572	1,200,473	1,303,026	-	2,871,016	5.5
Financing of customers							
- Performing	1,863,849	93,729	1,052,301	2,425,469	-	5,435,348	6.4
- Non-performing*	-	-	-	-	592,168	592,168	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	251,771	251,771	
Other non-profit sensitive assets	-	-	-	-	150,169	150,169	
Total assets	6,993,347	234,846	2,281,120	3,728,495	1,160,837	14,398,645	
Liabilities and shareholders' equity							
Deposits from customers	12,373,401	74,569	-	-	-	12,447,970	2.9
Deposits and placements of banks and other financial institutions	250,425	-	-	-	-	250,425	3.6
Bills and acceptances payable	-	-	-	-	651,916	651,916	
Subordinated bonds	-	-	250,000	-	-	250,000	6.3
Other non-profit sensitive liabilities	-	-	-	-	96,098	96,098	
Total liabilities	12,623,826	74,569	250,000	-	748,014	13,696,409	
Shareholders' equity					702,236	702,236	
Total liabilities and shareholders' equity	12,623,826	74,569	250,000	-	1,450,250	14,398,645	
On-balance sheet profit rate sensitivity gap	(5,630,479)	160,277	2,031,120	3,728,495			
Off-balance sheet profit rate sensitivity gap	(1,052,078)	-	-	-			
Total profit rate sensitivity gap	(6,682,557)	160,277	2,031,120	3,728,495			

* This is arrived at after deducting general and specific allowances from gross non-performing financing outstanding.

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38. PROFIT RATE RISK (CONT'D)

GROUP 2007	<===== Non-trading book =====>						Effective profit rate
	Up to 6 months	> 6 - 12 months	>1 - 5 years	Over 5 years	Non-profit rate sensitive	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets							
Cash and short-term funds	4,274,461	-	-	-	191,754	4,466,215	3.5
Securities							
- Held-to-maturity	-	-	30,891	-	-	30,891	1.0
- Available-for-sale	579,596	204,811	1,130,225	1,387,718	-	3,302,350	6.8
Financing of customers							
- Performing	1,640,529	153,807	702,150	2,815,211	-	5,311,697	6.3
- Non-performing*	-	-	-	-	273,550	273,550	
Other non-profit sensitive assets	-	-	-	-	423,387	423,387	
Total assets	6,494,586	358,618	1,863,266	4,202,929	888,691	13,808,090	
Liabilities and shareholders' equity							
Deposits from customers	12,172,868	-	-	-	-	12,172,868	2.9
Deposits and placements of banks and other financial institutions	228,014	-	-	-	-	228,014	4.7
Bills and acceptances payable	-	-	-	-	343,940	343,940	
Subordinated bonds	-	-	250,000	-	-	250,000	6.3
Other non-profit sensitive liabilities	-	-	-	-	75,937	75,937	
Total liabilities	12,400,882	-	250,000	-	419,877	13,070,759	
Shareholders' equity	-	-	-	-	737,331	737,331	
Total liabilities and shareholders' equity	12,400,882	-	250,000	-	1,157,208	13,808,090	
On-balance sheet profit rate sensitivity gap	(5,906,296)	358,618	1,613,266	4,202,929			
Off-balance sheet profit rate sensitivity gap	(1,786,061)	(33,061)	(100,000)	-			
Total profit rate sensitivity gap	(7,692,357)	325,557	1,513,266	4,202,929			

* This is arrived at after deducting general and specific allowances from gross non-performing financing outstanding.

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38. PROFIT RATE RISK (CONT'D)

BANK 2008	Non-trading book						Effective profit rate
	Up to 6 months	> 6 - 12 months	>1 - 5 years	Over 5 years	Non-profit rate sensitive	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Assets							
Cash and short-term funds	4,900,553	-	-	-	166,729	5,067,282	3.5
Securities							
- Held-to-maturity	-	2,545	28,346	-	-	30,891	1.0
- Available-for-sale	228,945	138,572	1,200,473	1,303,026	-	2,871,016	5.5
Financing of customers							
- Performing	1,863,849	93,729	1,052,301	2,440,621	-	5,450,500	6.4
- Non-performing*	-	-	-	-	592,168	592,168	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	251,771	251,771	
Other non-profit sensitive assets	-	-	-	-	152,041	152,041	
Total assets	6,993,347	234,846	2,281,120	3,743,647	1,162,709	14,415,669	
Liabilities and shareholders' equity							
Deposits from customers	12,390,129	74,569	-	-	-	12,464,698	2.9
Deposits and placements of banks and other financial institutions	250,425	-	-	-	-	250,425	3.6
Bills and acceptances payable	-	-	-	-	651,916	651,916	
Subordinated bonds	-	-	-	250,000	-	250,000	6.3
Other non-profit sensitive liabilities	-	-	-	-	95,990	95,990	
Total liabilities	12,640,554	74,569	-	250,000	747,906	13,713,029	
Shareholders' equity	-	-	-	-	702,640	702,640	
Total liabilities and shareholders' equity	12,640,554	74,569	-	250,000	1,450,546	14,415,669	
On-balance sheet profit rate sensitivity gap	(5,647,207)	160,277	2,281,120	3,493,647			
Off-balance sheet profit rate sensitivity gap	(1,052,078)	-	-	-			
Total profit rate sensitivity gap	(6,699,285)	160,277	2,281,120	3,493,647			

* This is arrived at after deducting general and specific allowances from gross non-performing financing outstanding.

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38. PROFIT RATE RISK (CONT'D)

BANK 2007	Non-trading book						Effective profit rate
	Up to 6 months	> 6 - 12 months	>1 - 5 years	Over 5 years	Non-profit rate sensitive	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets							
Cash and short-term funds	4,274,154	-	-	-	191,741	4,465,895	3.5
Securities							
- Held-to-maturity	-	-	30,891	-	-	30,891	1.0
- Available-for-sale	579,596	204,811	1,130,225	1,387,718	-	3,302,350	5.1
Financing of customers							
- Performing	1,640,530	153,807	702,150	2,815,210	-	5,311,697	6.2
- Non-performing*	-	-	-	-	273,550	273,550	
Other non-profit sensitive assets	-	-	-	-	433,042	433,042	
Total assets	6,494,280	358,618	1,863,266	4,202,928	898,333	13,817,425	
Liabilities and shareholders' equity							
Deposits from customers	12,180,247	-	-	-	-	12,180,247	2.9
Deposits and placements of banks and other financial institutions	228,014	-	-	-	-	228,014	4.7
Bills and acceptances payable	-	-	-	-	343,940	343,940	
Subordinated bonds	-	-	250,000	-	-	250,000	6.3
Other non-profit sensitive liabilities	-	-	-	-	75,865	75,865	
Total liabilities	12,408,261	-	250,000	-	419,805	13,078,066	
Shareholders' equity	-	-	-	-	739,359	739,359	
Total liabilities and shareholders' equity	12,408,261	-	250,000	-	1,159,164	13,817,425	
On-balance sheet profit rate sensitivity gap	(5,913,981)	358,618	1,613,266	4,202,928			
Off-balance sheet profit rate sensitivity gap	(1,786,061)	(33,061)	(100,000)	-			
Total profit rate sensitivity gap	(7,700,042)	325,557	1,513,266	4,202,928			

* This is arrived at after deducting general and specific allowances from gross non-performing financing outstanding.

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39. LIQUIDITY RISK

MATURITIES OF ASSETS AND LIABILITIES BY BEHAVIOURAL MATURITY PROFILE

GROUP 2008	Up to 6 months	> 6 - 12 months	>1 - 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	5,067,282	-	-	-	5,067,282
Securities					-
- Held-to-maturity	-	2,545	28,346	-	30,891
- Available-for-sale	228,945	166,027	1,173,018	1,303,026	2,871,016
Financing of customers	1,198,955	129,868	1,212,292	3,486,401	6,027,516
Statutory deposits with Bank Negara Malaysia	-	-	-	251,771	251,771
Other assets	70,597	42,802	36,770	-	150,169
Total assets	6,565,779	341,242	2,450,426	5,041,198	14,398,645
Liabilities					
Deposits from customers	9,164,716	350,715	2,932,539	-	12,447,970
Deposits and placements of banks and other financial institutions	250,425	-	-	-	250,425
Bills and acceptances payable	651,916	-	-	-	651,916
Other liabilities	75,993	20,105	-	-	96,098
Subordinated bonds	-	-	250,000	-	250,000
Total liabilities	10,143,050	370,820	3,182,539	-	13,696,409
Off-balance sheet liabilities					
Credit and commitments	4,344,990	-	-	1,787,507	6,132,497
Net maturity mismatch	(7,922,261)	(29,578)	(732,113)	3,253,691	(5,430,261)

39. LIQUIDITY RISK (CONT'D)**MATURITIES OF ASSETS AND LIABILITIES BY BEHAVIOURAL MATURITY PROFILE (CONT'D)**

GROUP 2007	Up to 6 months	> 6 - 12 months	>1 - 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	4,466,215	-	-	-	4,466,215
Securities					
- Held-to-maturity	-	-	30,891	-	30,891
- Available-for-sale	579,596	204,811	1,130,225	1,387,718	3,302,350
Financing of customers	1,101,849	230,886	880,497	3,372,015	5,585,247
Statutory deposits with Bank Negara Malaysia	-	-	-	288,471	288,471
Other assets	65,884	23,014	-	46,018	134,916
Total assets	6,213,544	458,711	2,041,613	5,094,222	13,808,090
Liabilities					
Deposits from customers	8,601,518	767,139	2,804,211	-	12,172,868
Deposits and placements of banks and other financial institutions	228,014	-	-	-	228,014
Bills and acceptances payable	343,940	-	-	-	343,940
Other liabilities	61,395	14,542	-	-	75,937
Subordinated bonds	-	-	-	250,000	250,000
Total liabilities	9,234,867	781,681	2,804,211	250,000	13,070,759
Off-balance sheet liabilities					
Credit and commitments	4,107,783	-	203,406	379,373	4,690,562
Net maturity mismatch	(7,129,106)	(322,970)	(966,004)	4,464,849	(3,953,231)

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

39. LIQUIDITY RISK (CONT'D)

MATURITIES OF ASSETS AND LIABILITIES BY BEHAVIOURAL MATURITY PROFILE (CONT'D)

BANK 2008	Up to 6 months	> 6 - 12 months	>1 - 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	5,067,282	-	-	-	5,067,282
Securities					
- Held-to-maturity	-	2,545	28,346	-	30,891
- Available-for-sale	228,945	166,027	1,173,018	1,303,026	2,871,016
Financing of customers	1,198,954	129,937	1,212,292	3,501,485	6,042,668
Statutory deposits with Bank Negara Malaysia	-	-	-	251,771	251,771
Other assets	65,331	42,060	-	44,650	152,041
Total assets	6,560,512	340,569	2,413,656	5,100,932	14,415,669
Liabilities					
Deposits from customers	9,181,465	350,716	2,932,517	-	12,464,698
Deposits and placements of banks and other financial institutions	250,425	-	-	-	250,425
Bills and acceptances payable	651,916	-	-	-	651,916
Other liabilities	75,890	20,100	-	-	95,990
Subordinated bonds	-	-	250,000	-	250,000
Total liabilities	10,159,696	370,816	3,182,517	-	13,713,029
Off-balance sheet liabilities					
Credit and commitments	4,344,990	-	-	1,787,507	6,132,497
Net maturity mismatch	(7,944,174)	(30,247)	(768,861)	3,313,425	(5,429,857)

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

39. LIQUIDITY RISK (CONT'D)

MATURITIES OF ASSETS AND LIABILITIES BY BEHAVIOURAL MATURITY PROFILE (CONT'D)

BANK 2007	Up to 6 months	> 6 - 12 months	>1 - 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	4,465,895	-	-	-	4,465,895
Securities					
- Held-to-maturity	-	-	30,891	-	30,891
- Available-for-sale	579,596	204,811	1,130,225	1,387,718	3,302,350
Financing of customers	1,101,849	230,886	880,497	3,372,015	5,585,247
Statutory deposits with Bank Negara Malaysia	-	-	-	288,471	288,471
Other assets	66,139	23,014	-	55,418	144,571
Total assets	6,213,479	458,711	2,041,613	5,103,622	13,817,425
Liabilities					
Deposits from customers	8,606,732	767,604	2,805,911	-	12,180,247
Deposits and placements of banks and other financial institutions	228,014	-	-	-	228,014
Bills and acceptances payable	343,940	-	-	-	343,940
Other liabilities	61,347	14,518	-	-	75,865
Subordinated bonds	-	-	-	250,000	250,000
Total liabilities	9,240,033	782,122	2,805,911	250,000	13,078,066
Off-balance sheet liabilities					
Credit and commitments	4,107,783	-	203,406	379,373	4,690,562
Net maturity mismatch	(7,134,337)	(323,411)	(967,704)	4,474,249	(3,951,203)

40. CAPITAL AND OTHER COMMITMENTS

(a) Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group and Bank	
	2008	2007
	RM'000	RM'000
Approved and contracted for	5,495	282
Approved but not contracted for	97,343	44,600
	102,838	44,882

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

41. CAPITAL ADEQUACY

(a) The Core Capital Ratios and Risk-Weighted Capital Ratios of the Group / Bank are as follows:

	Group		Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Computation of Total Risk-Weighted Assets ("RWA")				
Total Credit RWA	7,360,255	6,738,876	7,359,696	6,738,546
Total Market RWA	284,485	2,028,931	284,485	2,028,931
Total Operational RWA	779,604	692,767	779,449	692,403
Large Exposure Risk RWA for Equity Holdings	-	-	-	-
Total RWA	8,424,344	9,460,574	8,423,630	9,459,880
Computation of Capital Ratios				
Tier-I Capital				
Paid-up ordinary share capital	397,275	250,000	397,275	250,000
Paid-up Mushakarah irredeemable non-cumulative convertible preference shares	102,725	250,000	102,725	250,000
Statutory reserve	156,688	140,713	155,833	140,684
Retained profits	117,112	101,136	118,447	103,301
Minority interest	-	-	-	-
Less: Intangible	-	(1,219)	-	-
Less: Deferred tax assets (net)	(35,580)	(23,013)	(35,580)	(23,013)
Total Tier-I Capital	738,220	717,617	738,700	720,972
Tier-II Capital				
Subordinated bonds	250,000	250,000	250,000	250,000
General allowance for bad and doubtful financing	97,330	90,832	97,561	90,832
Total Tier-II Capital	347,330	340,832	347,561	340,832
Less: Investment in subsidiary companies	-	-	(7,675)	(10,723)
Capital Base	1,085,550	1,058,449	1,078,586	1,051,081
Core Capital	738,220	717,617	738,700	720,972
Capital Base	1,085,550	1,058,449	1,078,586	1,051,081
Risk-Weighted Capital Ratio	12.9%	11.2%	12.8%	11.1%
Core Capital Ratios	8.8%	7.6%	8.8%	7.6%

Risk-weighted capital adequacy ratio has been computed based on the requirement of Capital Adequacy Framework for Islamic Bank issued by Bank Negara Malaysia effective from 1 January 2008. The comparative figure has been restated for comparison purposes.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

41. CAPITAL ADEQUACY (CONT'D)

(b) Risk-weighted and capital requirements for credit risk, large risk, market risk and operational risk as at 31 December, are as follows:

GROUP 2008	Gross	Net	Total Risk	Risk	Capital
	Exposures	Exposures	Weighted Assets After Effect of PSIA	Weighted Assets	Requirement
	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On Balance Sheet Exposures					
Sovereign / Central Banks	5,671,760	5,671,760	5,671,760	-	-
Public Sector Entities	65,786	58,275	58,275	11,655	932
Banks, Development Financial Institution ("FDI") & Multilateral development banks ("MDB")	176,371	176,371	176,371	47,341	3,787
Corporates	4,040,636	3,750,401	3,750,401	2,525,071	202,006
Regulatory Retail	2,518,334	2,503,052	2,503,052	1,877,288	150,183
Residential Real Estate	399,002	399,002	399,002	190,267	15,221
Higher Risk Assets	720,345	680,590	680,590	1,036,491	82,919
Equity Exposure	7,675	7,675	7,675	11,513	921
Other Assets	178,512	178,513	178,513	118,741	9,499
Defaulted Exposures	316,018	316,018	316,018	316,883	25,351
	14,094,439	13,741,657	13,741,657	6,135,250	490,819
(b) Off-Balance Sheet Exposures*					
Credit-related Off-Balance Sheet Exposure	2,188,689	2,188,689	2,188,689	1,185,528	94,842
Derivative Financial Instruments	46,496	46,496	46,496	33,177	2,654
Other Treasury-related Off-Balance Sheet Exposure	31,500	31,500	31,500	6,300	504
	2,266,685	2,266,685	2,266,685	1,225,005	98,000
Total On and Off-balance Sheet Exposures	16,361,124	16,008,342	16,008,342	7,360,255	588,819
(ii) Large Exposures Risk Requirement					
	-	-	-	-	-
(iii) Market Risk					
Benchmark Rate Risk	2,532,818	(2,831,028)	(298,210)	246,662	19,733
Foreign Currency Risk	37,823	(19,572)	18,251	37,823	3,026
				284,485	22,759
(iv) Operational Risk					
				779,604	62,368
(v) Total RWA and Capital Requirements					
				8,424,344	673,946

* Credit Risk of off balance sheet items

** After netting and credit risk mitigation

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

41. CAPITAL ADEQUACY (CONT'D)

(b) Risk-weighted and capital requirements for credit risk, large risk, market risk and operational risk as at 31 December, are as follows:

GROUP 2007	Gross	Net	Total Risk	Risk	Capital
	Exposures	Exposures	Weighted Assets After Effect of PSIA	Weighted Assets	Requirement
	RM'000	RM'000	RM'000	RM'000	RM'000
(i) Credit Risk					
(a) On Balance Sheet Exposures					
Sovereign / Central Banks	3,789,533	3,789,533	3,789,533	-	-
Public Sector Entities	74,123	74,123	74,123	14,826	1,186
Banks, Development Financial Institution & MDBs	937,209	937,209	937,209	199,349	15,948
Corporates	5,094,180	5,094,180	5,094,180	5,225,925	418,074
Regulatory Retail	-	-	-	-	-
Residential Real Estate	17,675	17,675	17,675	26,513	2,121
Higher Risk Assets	5,525	5,525	5,525	8,288	663
Equity Exposure	10,722	10,722	10,722	16,083	1,287
Other Assets	219,021	219,021	219,021	124,740	9,979
Defaulted Exposures	292,287	292,287	292,287	301,851	24,148
	10,440,275	10,440,275	10,440,275	5,917,575	473,406
(b) Off-Balance Sheet Exposures*					
Credit-related Off-Balance Sheet Exposure	1,679,032	1,679,032	1,679,032	812,505	65,000
Derivative Financial Instruments	18,792	18,792	18,792	8,796	704
Other Treasury-related Off-Balance Sheet Exposure	-	-	-	-	-
	1,697,824	1,697,824	1,697,824	821,301	65,704
Total On and Off-balance Sheet Exposures	12,138,099	12,138,099	12,138,099	6,738,876	539,110
(ii) Large Exposures Risk Requirement	-	-	-	-	-
	Long Position	Short Position	Net Exposure	Risk Weighted Assets	Capital Requirement
(iii) Market Risk					
Benchmark Rate Risk	8,057,860	(4,086,279)	3,971,581	1,995,019	159,602
Foreign Currency Risk	10,301	(33,912)	(23,611)	33,912	2,713
				2,028,931	162,315
(iv) Operational Risk				692,767	55,421
(v) Total RWA and Capital Requirements				9,460,574	756,846

* Credit Risk of off balance sheet items

** After netting and credit risk mitigation

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

41. CAPITAL ADEQUACY (CONT'D)

(b) Risk-weighted and capital requirements for credit risk, large risk, market risk and operational risk as at 31 December, are as follows:

BANK 2008	Gross	Net	Total Risk	Risk	Capital
	Exposures	Exposures	Weighted	Weighted	Requirement
	RM'000	RM'000	Assets	Assets	RM'000
			After		
			Effect		
			of PSIA		
(i) Credit Risk					
(a) On Balance Sheet Exposures					
Sovereign/Central Banks	5,671,760	5,671,760	5,671,760	-	-
Public Sector Entities	65,786	58,275	58,275	11,655	932
Banks, Development Financial Institution & MDBs	176,371	176,371	176,371	47,341	3,787
Corporates	4,040,636	3,739,996	3,739,996	2,525,071	202,006
Regulatory Retail	2,518,334	2,503,052	2,503,052	1,877,288	150,183
Residential Real Estate	399,002	399,002	399,002	190,267	15,221
Higher Risk Assets	720,345	690,995	690,995	1,036,491	82,919
Equity Exposure	7,675	7,675	7,675	11,513	921
Other Assets	176,661	176,662	176,662	118,182	9,455
Defaulted Exposures	316,018	316,018	316,018	316,883	25,351
	14,092,588	13,739,806	13,739,806	6,134,691	490,775
(b) Off-Balance Sheet Exposures*					
Credit-related Off-Balance Sheet Exposure	2,188,689	2,188,689	2,188,689	1,185,528	94,842
Derivative Financial Instruments	46,496	46,496	46,496	33,177	2,654
Other Treasury-related Off-Balance Sheet Exposure	31,500	31,500	31,500	6,300	504
	2,266,685	2,266,685	2,266,685	1,225,005	98,000
Total On and Off-balance Sheet Exposures	16,359,273	16,006,491	16,006,491	7,359,696	588,775
(ii) Large Exposures Risk Requirement					
	-	-	-	-	-
(iii) Market Risk					
Benchmark Rate Risk	2,532,818	(2,831,028)	(298,210)	246,662	19,733
Foreign Currency Risk	37,823	(19,572)	18,251	37,823	3,026
				284,485	22,759
(iv) Operational Risk					
				779,449	62,356
(v) Total RWA and Capital Requirements					
				8,423,630	673,890

* Credit Risk of off balance sheet items

** After netting and credit risk mitigation

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31 December 2008 (3 Muharram 1430)

41. CAPITAL ADEQUACY (CONT'D)

(b) Risk-weighted and capital requirements for credit risk, large risk, market risk and operational risk as at 31 December, are as follows:

BANK 2007	Gross	Net	Total Risk	Risk	Capital
	Exposures	Exposures	Weighted	Weighted	Requirement
	RM'000	RM'000	Assets	Assets	RM'000
			After		
			Effect		
			of PSIA		
(i) Credit Risk					
(a) On Balance Sheet Exposures					
Sovereign / Central Banks	3,789,533	3,789,533	3,789,533	-	-
Public Sector Entities	74,123	74,123	74,123	14,826	1,186
Banks, Development Financial Institution & MDBs	937,209	937,209	937,209	199,349	15,948
Corporates	5,094,180	5,094,180	5,094,180	5,225,925	418,074
Regulatory Retail	-	-	-	-	-
Residential Real Estate	17,675	17,675	17,675	26,513	2,121
Higher Risk Assets	5,525	5,525	5,525	8,288	663
Equity Exposure	10,722	10,722	10,722	16,083	1,287
Other Assets	218,371	218,371	218,371	124,410	9,953
Defaulted Exposures	292,287	292,287	292,287	301,851	24,148
	10,439,625	10,439,625	10,439,625	5,917,245	473,380
(b) Off-Balance Sheet Exposures*					
Credit-related Off-Balance Sheet Exposure	1,679,032	1,679,032	1,679,032	812,505	65,000
Derivative Financial Instruments	18,792	18,792	18,792	8,796	704
Other Treasury-related Off-Balance Sheet Exposure	-	-	-	-	-
	1,697,824	1,697,824	1,697,824	821,301	65,704
Total On and Off-balance Sheet Exposures	12,137,449	12,137,449	12,137,449	6,738,546	539,084
(ii) Large Exposures Risk Requirement	-	-	-	-	-
	Long	Short	Net	Risk	Capital
	Position	Position	Exposure	Weighted	Requirement
				Assets	
(iii) Market Risk					
Benchmark Rate Risk	8,057,860	(4,086,279)	3,971,581	1,995,019	159,602
Foreign Currency Risk	10,301	(33,912)	(23,611)	33,912	2,713
				2,028,931	162,315
(iv) Operational Risk				692,403	55,392
(v) Total RWA and Capital Requirements				9,459,880	756,791

* Credit Risk of off balance sheet items

** After netting and credit risk mitigation

41. CAPITAL ADEQUACY (CONT'D)

(c) Credit risk disclosure by risk weights (including deducted exposures) as at 31 December, is as follows:

Exposures after Netting and Credit Risk Mitigation												
GROUP 2008	Sovereign & Central Banks	Public Sector Entities	Banks, MDBs and FDI's	Corporate	Regulatory Retail	Residential Real Estate	Higher Risk Assets	Equity Exposure	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets	RM'000
Risk-Weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	6,412,688	-	-	-	-	-	-	-	59,773	6,472,461	-	-
20%	-	60,404	513,489	1,128,294	-	-	-	-	-	1,702,187	340,437	340,437
35%	-	-	-	-	-	242,657	-	-	-	242,657	84,930	84,930
50%	-	-	45,198	710,732	6,597	88,208	-	-	-	850,735	425,367	425,367
75%	-	-	-	-	2,543,781	108,658	-	-	-	2,652,439	1,989,329	1,989,329
100%	-	-	1,670	2,935,832	23,099	143,865	-	-	118,740	3,223,206	3,223,206	3,223,206
150%	-	-	-	43,412	18,428	56	795,086	7,675	-	864,657	1,296,986	1,296,986
	6,412,688	60,404	560,357	4,818,270	2,591,905	583,444	795,086	7,675	178,513	16,008,342	7,360,255	7,360,255

Exposures after Netting and Credit Risk Mitigation												
GROUP 2007	Sovereign & Central Banks	Public Sector Entities	Banks, MDBs and FDI's	Corporate	Regulatory Retail	Residential Real Estate	Higher Risk Assets	Equity Exposure	Other Assets	Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets	RM'000
Risk-Weights	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	4,352,560	-	-	-	-	-	-	-	93,629	4,446,189	-	-
20%	-	74,123	1,278,893	57,283	-	-	-	-	-	1,410,299	282,060	282,060
35%	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	56,481	87,263	16,114	30,392	-	-	-	190,250	95,125	95,125
75%	-	-	-	-	16,729	151,800	-	-	-	174,742	5,550,701	5,550,701
100%	-	-	-	5,257,430	48,015	17,675	7,564	10,722	-	540,660	810,990	810,990
150%	-	-	-	456,684	-	-	-	-	-	-	-	-
	4,352,560	74,123	1,335,374	5,858,660	80,858	199,867	7,564	10,722	218,371	12,138,099	6,738,876	6,738,876

41. CAPITAL ADEQUACY (CONT'D)

(c) Credit risk disclosure by risk weights (including deducted exposures) as at 31 December, is as follows:

Exposures after Netting and Credit Risk Mitigation												
BANK 2008	Sovereign & Central Banks	Public Sector Entities	Banks, MDBs and FDIs	Corporate	Regulatory Retail	Residential Real Estate	Higher Risk Assets	Equity Exposure	Other Assets	Credit Risk Mitigation	Total Exposures after Netting and Credit Risk Weighted Assets	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk-Weights												
0%	6,412,688	-	-	-	-	-	-	-	58,481	6,471,169	-	-
20%	-	60,404	513,489	1,128,294	-	-	-	-	-	1,702,187	340,437	340,437
35%	-	-	-	-	-	242,657	-	-	-	242,657	84,930	84,930
50%	-	-	45,198	710,732	6,597	88,208	-	-	-	850,735	425,367	425,367
75%	-	-	-	2,543,781	6,597	108,658	-	-	-	2,652,439	1,989,329	1,989,329
100%	-	-	1,670	2,935,832	23,099	143,865	-	-	118,181	3,222,647	3,222,647	3,222,647
150%	-	-	-	43,412	18,428	56	795,086	7,675	-	864,657	1,296,986	1,296,986
	6,412,688	60,404	560,357	4,818,270	2,591,905	583,444	795,086	7,675	176,662	16,006,491	7,359,696	7,359,696
Exposures after Netting and Credit Risk Mitigation												
BANK 2007	Sovereign & Central Banks	Public Sector Entities	Banks, MDBs and FDIs	Corporate	Regulatory Retail	Residential Real Estate	Higher Risk Assets	Equity Exposure	Other Assets	Credit Risk Mitigation	Total Exposures after Netting and Credit Risk Weighted Assets	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Risk-Weights												
0%	4,352,560	-	-	-	-	-	-	-	93,309	4,445,869	-	-
20%	-	74,123	1,278,893	57,283	-	-	-	-	-	1,410,299	282,060	282,060
35%	-	-	-	-	-	-	-	-	-	-	-	-
50%	-	-	56,481	87,263	16,114	30,392	-	-	-	190,250	95,125	95,125
75%	-	-	-	5,257,430	16,729	151,800	-	-	-	5,550,371	5,550,371	5,550,371
100%	-	-	-	456,684	48,015	17,675	7,564	10,722	124,412	540,660	810,990	810,990
150%	-	-	-	-	-	-	-	-	-	-	-	-
	4,352,560	74,123	1,335,374	5,858,660	80,858	199,867	7,564	10,722	217,721	12,137,449	6,738,546	6,738,546

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

41. CAPITAL ADEQUACY (CONT'D)

(d) The capital requirements and risk-weighted assets as at 31 December, are as follows:

Market Risk Group and Bank 2008	Standardised Approach Funded by		
	Specific Investment Account	General Investment Account	Non-Profit Sharing Investment Account
	RM'000	RM'000	RM'000
Benchmark Rate Risk	-	-	19,733
Foreign Exchange Risk	-	-	3,026
Total Capital Requirements	-	-	22,759
Total Risk-Weighted	-	-	284,485

Market Risk Group and Bank 2007	Standardised Approach Funded by		
	Specific Investment Account	Specific Investment Account	Specific Investment Account
	RM'000	RM'000	RM'000
Benchmark Rate Risk	-	-	159,902
Foreign Exchange Risk	-	-	2,713
Total Capital Requirements	-	-	162,615
Total Risk-Weighted	-	-	2,028,931

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

42. SEGMENT INFORMATION

(a) BUSINESS SEGMENTS

The bank is organised into two major business segments:

- (i) Wholesale banking - this segment includes corporate banking, treasury and capital market and investment banking activities.
- (ii) Retail banking - this segment includes Small Medium Enterprise banking, commercial and retail banking.

Other business segments include rental services, none of which is of a sufficient size to be reported separately.

Group 31 December 2008	Wholesale Banking	Retail Banking	Others	Total
	RM'000	RM'000	RM'000	RM'000
Total income	418,934	366,618	7,186	792,738
Result				
Segment result	67,113	(23,395)	350	44,068
Zakat and taxation				(12,117)
Net profit for the financial year				31,951
Other information				
Segment assets	5,194,828	9,596,045	-	14,790,873
Unallocated corporate assets				(392,228)
Total assets				14,398,645
Segment liabilities	3,856,066	8,578,102	-	12,434,168
Unallocated corporate liabilities				1,262,241
Total liabilities				13,696,409
Other segment items				
Capital expenditure	841	3,990	6,880	11,711
Depreciation	546	4,805	7,061	12,412

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

42. SEGMENT INFORMATION (CONT'D)

(a) BUSINESS SEGMENTS (CONT'D)

Group 31 December 2007	Wholesale Banking	Retail Banking	Others	Total
	RM'000	RM'000	RM'000	RM'000
Total income	416,811	334,654	5,838	757,303
Result				
Segment result	100,783	(41,080)	4,535	64,238
Zakat and taxation				(16,100)
Net profit for the financial year				48,138
Other information				
Segment assets	6,446,811	6,934,071	-	13,380,882
Unallocated corporate assets				427,208
Total assets				13,808,090
Segment liabilities	6,048,923	6,134,057	-	12,182,980
Unallocated corporate liabilities				887,779
Total liabilities				13,070,759
Other segment items				
Capital expenditure	259	4,408	4,917	9,584
Depreciation	673	4,572	7,771	13,016

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

42. SEGMENT INFORMATION (CONT'D)

(a) BUSINESS SEGMENTS (CONT'D)

Bank 31 December 2008	Wholesale Banking	Retail Banking	Others	Total
	RM'000	RM'000	RM'000	RM'000
Total income	418,934	366,618	7,186	792,738
Result				
Segment result	66,258	(24,223)	350	42,385
Zakat and taxation				(12,090)
Net profit for the financial year				30,295
Other information				
Segment assets	5,198,554	9,596,045	-	14,794,599
Unallocated corporate assets				(378,930)
Total assets				14,415,669
Segment liabilities	3,859,792	8,578,102	-	12,437,894
Unallocated corporate liabilities				1,275,135
Total liabilities				13,713,029
Other segment items				
Capital expenditure	841	3,990	6,851	11,682
Depreciation	709	4,805	6,864	12,378

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

42. SEGMENT INFORMATION (CONT'D)

(a) BUSINESS SEGMENTS (CONT'D)

Bank 31 December 2007	Wholesale Banking	Retail Banking	Others	Total
	RM'000	RM'000	RM'000	RM'000
Total income	416,811	334,654	5,838	757,303
Result				
Segment result	100,783	(41,080)	5,839	65,542
Zakat and taxation				(16,100)
Net profit for the financial year				49,442
Other information				
Segment assets	6,446,811	6,934,071	-	13,380,882
Unallocated corporate assets				436,543
Total assets				13,817,425
Segment liabilities	6,048,923	6,134,057	-	12,182,980
Unallocated corporate liabilities				895,086
Total liabilities				13,078,066
Other segment items				
Capital expenditure	259	4,408	4,901	9,568
Depreciation	673	4,572	7,740	12,985

(b) GEOGRAPHICAL SEGMENT

No segmental reporting in respect of geographical segment is presented as the Bank operates only in Malaysia.

Notes to the Financial Statements

31 December 2008 (3 Muharram 1430)

43. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of financial assets and liabilities of the Bank at the balance sheet date approximated their fair values except for the following:

	Group and Bank			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
FINANCIAL ASSETS				
Financing of customers	6,042,668	6,753,243	5,585,247	5,892,775
FINANCIAL LIABILITIES				
Subordinated obligations	250,000	245,052	250,000	259,548

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two parties under normal market conditions. However, for certain assets such as financing and deposits, fair values are not readily available as there is no open market where these instruments are traded. The fair values for these instruments are estimated based on the assumptions below. These methods are subjective in nature, therefore, the fair values presented may not be indicative of the actual realisable value.

Cash and short-term funds, statutory deposits with Bank Negara Malaysia, other assets, deposits and placements of banks and other financial institutions, bills and acceptances payable and other liabilities.

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

SECURITIES

The "held-to-maturity" securities are stated at amortised cost. Provision for impairment is provided for when there is a permanent impairment loss and the fair values are deemed to approximate the carrying values.

FINANCING TO CUSTOMERS

The fair values of financing to customers are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at balance sheet date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of specific allowance for bad and doubtful financing.

DEPOSITS FROM CUSTOMERS

The fair values of deposits from customers are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

SUBORDINATED OBLIGATIONS

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for borrowings with similar risks profiles.

44. COMPARATIVE FIGURES

The presentation and classification of items in the current year's financial statements have been consistent with the previous financial year except that certain comparative amounts have been adjusted as a result of the adoption of new and revised FRSs as disclosed in Note 3.2.

45. SUBSEQUENT EVENTS

- (i) Subsequent to year end, the Bank increased its issued and paid-up share capital from RM500,000,000 to RM1,000,000,000 by way of issuance of 500,000,000 ordinary share capital of RM1 each at par for cash, for additional working capital.

The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Bank.

- (ii) Subsequent to year end, the Bank changed its financial year end from 31 December to 31 March.

ADDRESSES

REGISTERED OFFICE

24th Floor, Menara Bumiputra
Jalan Melaka, 50100 Kuala Lumpur
Tel: 03 - 2698 8787

MUAMALAT BUSINESS CENTRE NORTHERN REGION

2nd Floor, Wisma Perkeso
3012, Lebuh Tenggiri Dua
13700 Seberang Jaya
Pulau Pinang
Tel : 04-399 4770
Fax : 04-339 4816

MUAMALAT BUSINESS CENTRE SOUTHERN REGION

Lot. 001 & 002
13th Floor, Menara TH
Jalan Ayer Molek
80000 Johor Bahru, Johor
Tel : 07-223 4644 / 221 3467
Fax : 07-222 4623

MUAMALAT BUSINESS CENTRE EAST MALAYSIA

3rd Floor, Sub Lot 1, Lot 543
Jalan Tun Ahmad Zaidi Adruce
93400 Kuching, Sarawak
Tel : 082-418 629
Fax : 082-418 692

REPRESENTATIVE COMMERCIAL BANKING EAST COAST

1st & 2nd Floor, Lot 2 & Lot 275
Bangunan Perbadanan Menteri Besar Kelantan
Jalan Kuala Krai, 15150 Kota Bharu
Kelantan
Tel : 09-746 1071
Fax : 09-744 4622

WILAYAH PERSEKUTUAN

JALAN MELAKA

1st Floor, Blok Podium
Menara Bumiputra
21, Jalan Melaka
50100 Kuala Lumpur
Tel : 03-2032 4060 / 61 / 62
Fax : 03-2032 5997

TAMAN SEGAR

No. 30, Jalan Manis 4
Taman Segar Off Jalan Cheras
56100 Kuala Lumpur
Tel : 03-9130 2426
Fax : 03-9130 2007

JALAN IPOH

Ground Floor, Wisma TCT
No. 516-1, Batu 3, Jalan Ipoh
51200 Kuala Lumpur
Tel : 03-4041 1885
Fax : 03-4043 1467

JALAN TAR

No 339, Ground & 3rd Floor
Bangunan UMNO Lama
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur.
Tel : 03-2697 7077
Fax : 03-2697 8020

TAMAN MELAWATI

268, 269 & 270, Jalan Bandar 12
Taman Melawati
53100 Kuala Lumpur
Tel : 03-4108 1160
Fax : 03-4107 4625

UNIVERSITI ISLAM ANTARABANGSA

Central Complex UIAM
Jalan Gombak
53100 Kuala Lumpur
Tel : 03-6185 8102
Fax : 03-6187 8579

PUTRAJAYA

No.2 & 4, Ground & 1st Floor
Jalan Diplomatik 2
Pusat Komersial Diplomatik
Precint 15, 62050 Putrajaya
Tel : 03-8888 9778
Fax : 03-8889 2053

WILAYAH PERSEKUTUAN (cont'd)**BANDAR TASIK SELATAN**

No 14, Ground & 1st Floor
 Jalan 4/146, Metro Center
 Bandar Tasik Selatan
 57000 Kuala Lumpur
 Tel : 03-9051 3100
 Fax : 03-9058 1476

SELANGOR**KAJANG**

No. 3 & 4
 Jalan Dato' Seri P. Alagendra 1
 43000 Kajang
 Tel : 03-8734 7340
 Fax : 03-8734 7332

KELANG

Ground & 1st Floor
 Lot 46, Wisma Ban Guan Huat
 Jalan Kapar, 41400 Kelang
 Tel : 03-3344 4148
 Fax : 03-3344 4146

BATU CAVES

No. 53, 53 (M), 51 & 51 (M)
 Jalan SBC 1, Taman Sri Batu Caves
 68100 Batu Caves
 Tel : 03-6187 8235
 Fax : 03-6186 2387

PETALING JAYA

45, Jalan SS 2/64
 47300 Petaling Jaya
 Tel : 03-7874 5722
 Fax : 03-7875 5623

SHAH ALAM, SEK 9

28, Jalan Tengku Ampuan Zabedah D9/D
 40000 Shah Alam
 Tel : 03-5512 8830
 Fax : 03-5512 8836

RAWANG

No. 9 & 11, Jalan Rawang 1
 Bandar Baru Rawang
 48000 Rawang
 Tel : 03-6092 1680
 Fax : 03-6092 1677

SHAH ALAM, PKNS

G-1, 2 & 3, Ground Floor
 Kompleks PKNS, 40000 Shah Alam
 Tel : 03-5510 6511
 Fax : 03-5510 6611

SUBANG JAYA

9 & 11, Lot 4015 & 4017
 Jalan SS 15/5A, 47500 Subang Jaya
 Tel : 03-5634 3971
 Fax : 03-5634 3954

BANDAR BARU BANGI

Ground, 1st & 2nd Floor
 D32 & D33, Jalan Medan Pusat Bandar 4
 Seksyen 9, 43650 Bandar Baru Bangi
 Tel : 03-8925 6034
 Fax : 03-8925 6029

SERVICE CENTRE**UNIVERSITI KEBANGSAAN MALAYSIA**

Lot 1.03A, 1st Floor, Wisma Unikeb,
 43600 Bangi
 Tel : 03-8925 6034
 Fax : 03-8925 6029

NEGERI SEMBILAN**SEREMBAN**

Lot 1522 & 1523
 Jalan Tun Dr. Ismail
 70200 Seremban
 Tel : 06-765 1500
 Fax : 06-762 7218

MELAKA**MELAKA**

395, Taman Sinn
 Jalan Semabuk, 75050 Melaka
 Tel : 06-282 8464
 Fax : 06-286 7518

TAMAN CHENG BARU

Ground & 1st Floor
 No 92, Jalan Cheng Baru
 Taman Cheng Baru, 75250 Melaka
 Tel : 06-312 5086
 Fax : 06-312 5092

ADDRESSES

PERAK

IPOH

Ground & Mezzanine Floor
Wisma Maju UMNO,
Jalan Sultan Idris Shah
30000 Ipoh
Tel : 05-249 8800
Fax : 05-243 4997

PARIT BUNTAR

No. 17 & 19, Jalan Perwira
Pusat Bandar Baru, 34200 Parit Buntar
Tel : 05-716 7201
Fax : 05-716 7204

SITIAWAN

Ground & 1st Floor
No. 392, Taman Samudera
32040 Seri Manjung, Perak
Tel : 05-688 4915
Fax : 05-688 4931

TAIPING

98-100, Ground & 1st Floor
Jalan Kota, 34000 Taiping
Tel : 05-807 8372
Fax : 05-807 8375

KEDAH

ALOR SETAR

Lot T-1, Ground & Mezzanine Floor
Wisma PKNK, Jalan Sultan Badlishah
05000 Alor Setar
Tel : 04-731 5722
Fax : 04-731 5724

KULIM

No. 6, Bangunan Al-Ikhwan
Pusat Perniagaan Putra
Jalan Kilang Lama, 09000 Kulim
Tel : 04-496 3500
Fax : 04-490 7714

SUNGAI PETANI

No. 1 & 2, Ground & 1st Floor
Wisma OIB, Jalan Bank
08000 Sungai Petani
Tel : 04-420 4300
Fax : 04-421 5007

SERVICE CENTRE

SOUQ AL-BUKHARY

Ground Floor
Bazaar Souq Al-Bukhary
No. 1, Jalan Tun Abdul Razak
05200 Alor Setar
Tel : 04-731 5480
Fax : 04-731 5546

PULAU PINANG

BAYAN BARU

No 24, 26 & 28, Ground & 1st Floor
Taman Seri Tunas, Jalan Tengah
11950 Bayan Baru
Tel : 04-630 8100
Fax : 04-641 1058

SEBERANG JAYA

Ground & 1st Floor
Wisma Perkeso
3012, Jalan Lebuah Tenggiri 2
13700 Seberang Jaya, Pulau Pinang
Tel : 04-390 1292
Fax : 04-399 3797

SERVICE CENTRE

UNIVERSITI SAINS MALAYSIA

Bangunan D12, Minden Campus
11800 Minden, Pulau Pinang
Tel : 04-660 4600
Fax : 04-658 5945

SERVICE CENTRE

KEPALA BATAS

Pusat Budi Penyayang
Jalan Bertam 2, Kepala Batas
Seberang Perai Utara
13200 Pulau Pinang
Tel : 04-575 3588
Fax : 04-575 5703

PERLIS

KANGAR

No. 11 & 13, Jalan Bukit Lagi
01000 Kangar
Tel : 04-976 4751
Fax : 04-976 4799

TERENGGANU**KUALA TERENGGANU**

1, Jalan Air Jerneh
20300 Kuala Terengganu
Tel : 09-622 2177
Fax : 09-623 4624

KELANTAN**KOTA BHARU**

Lot 2 & 257
Bangunan Perbadanan
Menteri Besar Kelantan (PMBK)
Jalan Kuala Krai, 15150 Kota Bharu
Tel : 09-744 1711
Fax : 09-744 4622

JALAN SULTAN YAHYA PETRA

Ground Floor
Lot PT 265 & PT 266, Wisma Nik Kob
Jalan Sultan Yahya Petra
15200 Kota Bharu
Tel : 09-747 3187
Fax : 09-747 3230

JOHOR**JOHOR BAHRU**

30, Jalan Tun Razak
Susur Satu, 80000 Johor Bahru
Tel : 07-223 5822
Fax : 07-224 0811

BATU PAHAT

24-25, Ground & 1st Floor
Jalan Kundang, Taman Bukit Pasir
83000 Batu Pahat
Tel : 07-432 5257
Fax : 07-432 4945

JOHOR JAYA

Ground & 1st Floor
No. 17, Jalan Ros Merah 2/20
Taman Johor Jaya
81100 Johor Bahru
Tel : 07-357 7451
Fax : 07-355 8106

KLUANG

No. 1, Jalan Persiaran
Dato' Haji Ismail Hassan
86000 Kluang
Tel : 07-772 2487
Fax : 07-774 4419

KULAI

18 & 19, Taman Seraya
Jalan Raya Kulai Besar
81000 Kulai
Tel : 07-663 8486
Fax : 07-663 8496

SEGAMAT

54, Jalan Genuang
85000 Segamat
Tel : 07-931 0540
Fax : 07-931 0542

**SERVICE CENTRE
KOLEJ UNIVERSITI TEKNOLOGI TUN
HUSSEIN ONN**

KM 21, Jalan Kluang
86400 Parit Raja, Batu Pahat
Tel : 07-453 6132
Fax : 07-453 6125

TAMAN UNIVERSITI SKUDAI

Ground & 1st Floor
No 28, Jalan Kebudayaan 5
Taman Universiti, 81300 Skudai
Tel : 07-520 6875
Faks : 07-520 5503

PAHANG**KUANTAN**

B-114 & B-116
Sri Dagangan Centre
Jalan Tun Ismail, 25000 Kuantan
Tel : 09-516 2782
Fax : 09-516 2853

MENTAKAB

6 & 7, Jalan Tun Abd Razak
28400 Mentakab
Tel : 09-277 5917
Fax : 09-277 4940

ADDRESSES

SARAWAK

KUCHING

Lot 543, Ground & 1st Floor
Bangunan Cheema,
Jalan Tun Ahmad Zaidi Adruce,
93400 Kuching
Tel : 082-25 7877
Fax : 082-41 4142

BINTULU

Ground, 1st & 2nd Floor
No. 73, Park City Commercial Centre
Jalan Tanjung Batu,
97012 Bintulu
Tel : 086-337 462
Fax : 086-337 461

MIRI

433-434
Ground & 1st Floor, Block F,
Miri Concession Land District
98000 Miri
Tel : 085-420 622
Fax : 085-418 111

SABAH

KOTA KINABALU

Shoplot 69-72,
Blok H, Asia City
88000 Kota Kinabalu
Tel : 088-239 122
Fax : 088-239 128

LABUAN

UO 114, Ground Floor
Jalan OKK Awang Besar
87000 Wilayah Persekutuan Labuan
Tel : 087-424 190
Fax : 087-424 204

LABUAN OFFSHORE

15A 1, Main Office Tower
Kompleks Ujana Labuan, Jalan Merdeka
87000 Wilayah Persekutuan Labuan
Tel : 087-412 858
Fax : 087-451 164